S. HRG. 99-77

ENERGY POLICY AND CONSERVATION AMENDMENTS ACT OF 1985

HEARING

BEFORE THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

S. 979

A BILL TO EXTEND THE EXPIRATION DATE OF TITLES I AND II OF THE ENERGY POLICY AND CONSERVATION ACT, AND FOR OTHER PURPOSES

MAY 1, 1985

Printed for the use of the
Committee on Energy and Natural Resources

U.S. GOVERNMENT PRINTING OFFICE

48-165 O WASHINGTON : 1985

S311-41

COMMITTEE ON ENERGY AND NATURAL RESOURCES

JAMES A. McCLURE, Idaho, *Chairman*

MARK O. HATFIELD, Oregon
LOWELL P. WEICKER, JR., Connecticut
PETE V. DOMENICI, New Mexico
MALCOLM WALLOP, Wyoming
JOHN W. WARNER, Virginia
FRANK H. MURKOWSKI, Alaska
DON NICKLES, Oklahoma
CHIC HECHT, Nevada
DANIEL J. EVANS, Washington

J. BENNETT JOHNSTON, Louisiana
DALE BUMPERS, Arkansas
WENDELL H. FORD, Kentucky
HOWARD M. METZENBAUM, Ohio
JOHN MELCHER, Montana
BILL BRADLEY, New Jersey
JEFF BINGAMAN, New Mexico
JOHN D. ROCKEFELLER IV, West Virginia

FRANK M. CUSHING, *Staff Director*
GARY G. ELLSWORTH, *Chief Counsel*
D. MICHAEL HARVEY, *Chief Counsel for the Minority*

CONTENTS

	Page
S. 979	4

STATEMENTS

Boggs, Hon. Danny J., Deputy Secretary, Department of Energy	6
Brady, Phillip D., Acting Assistant Attorney General, Department of Justice	26
Ford, Hon. Wendell H., a U.S. Senator from the State of Kentucky	3
McClure, Hon. James A., a U.S. Senator from the State of Idaho	1
Wendt, Hon. E. Allan, Deputy Assistant Secretary for International Energy and Resources Policy, Department of State	15

APPENDIX

Responses to additional committee questions	143

ENERGY POLICY AND CONSERVATION AMENDMENTS ACT OF 1985

WEDNESDAY, MAY 1, 1985

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 10:06 a.m., in room SD–366, Dirksen Office Building, Hon. James A. McClure, chairman, presiding.

Present: Senators McClure, Wallop, Warner, Nickles, Hecht, Evans, Ford, Metzenbaum, Bradley, and Bingaman.

Also present: Richard D. Grundy, senior professional staff member; Benjamin S. Cooper, professional staff member for the minority; and James T. Bruce, counsel for the minority.

OPENING STATEMENT OF HON. JAMES A. McCLURE, A U.S. SENATOR FROM THE STATE OF IDAHO

The CHAIRMAN. Good morning, today's hearing by the full committee is on S. 979, the Energy Policy and Conservation Amendments Act of 1985. This bill would extend for 4 years until June 30, 1989, the two statutory authorities that are integral to the United States' capability to respond domestically and internationally to a severe energy supply interruption.

First, the strategic petroleum reserve is the key element of the United States' capability to respond to domestic and international energy supply emergencies. The reserve currently provides our Nation with substantial insurance against the possibility of a severe energy supply interruption. That protection must be preserved.

S. 979 extends until June 30, 1989, existing authorities for the establishment, maintenance, and draw down of the strategic petroleum reserve; these authorities are contained in title I of the Energy Policy and Conservation Act, which would otherwise expire on June 30, 1985. Among other matters, title I of EPCA authorized construction of the strategic petroleum reserve. In addition, it provides the President with the necessary authority to draw down the reserve in the event of a severe energy supply disruption, or in order to meet U.S. obligations under the International Energy Program.

A second key component of the United States' energy emergency preparedness program is maintaining a continuing commitment to the International Energy Program. Only effective United States' participation in the International Energy Agency can assure our

mutual energy preparedness in the event of a severe interruption of international energy supplies. All of us are fully aware of the mutual and critical interdependence of the economic and energy security of the world.

S. 979 also extends until June 30, 1989, the basic authorities which facilitate participation by the United States in the International Energy Program; the authorities are contained in title II of the Energy Policy and Conservation Act, which would otherwise expire on June 30, 1985. Among other matters, these authorities enable the United States to supply the information necessary for effective operation of the IEA. In addition, these authorities enable U.S. oil companies to voluntarily share available supplies under the IEA's auspices.

These authorities are essential for the Federal Government to prepare for and respond to severe energy emergencies, as well as meet its obligations under the International Energy Agreement. Therefore, it is critical that titles I and II of EPCA be expeditiously extended, and not become embroiled in the other energy emergency issues recently considered by the Congress.

For example, during the last Congress the Committee on Energy and Natural Resources devoted extensive time to consideration of complementary authorities that would strengthen our Nation's energy emergency preparedness consistent with the policy set forth in section 271(b) of EPCA, which established the policy that "the Federal Government shall be prepared prior to any shortage of petroleum products to respond to energy emergencies * * * as a supplement to reliance on the free market to mitigate the adverse impacts of a shortage of petroleum products on public health, safety, and welfare."

I continue to believe that energy emergency preparedness requires continuous upgrading and improvement; however, I do not see any agreement with the administration, and the other affected parties, on what those improvements should be, if any. In addition, there are those on both sides of the issue who advocate that the Federal Government be either more or less obviously involved in the event of an international energy emergency. In the absence of a consensus on such matters, S. 979 simply extends the existing authorities I have described.

Our country's energy emergency preparedness relies on titles I and II of the Energy Policy and Conservation Act. Without these fundamental authorities the evolutionary process for upgrading and improving our national capability to respond to severe energy supply interruptions would be nonexistent.

Now is not the time to debate whether there should be a reduction or expansion of Federal energy emergency preparedness authorities. At this time, I would urge that that box not be opened. Rather I would urge that we provide for a simple extension of EPCA.

With that objective in mind, today's witnesses include Deputy Energy Secretary Danny Boggs and, from the Department of State, Deputy Assistant Secretary for Energy and Resources Policy, Allan Wendt.

A statement by the Department of Justice will be made a part of the record following the statements of our two witnesses.

They are both at the table and the statements of each will be placed in the record in full. I'll first call upon Secretary Boggs who is invited to summarize that statement.

Welcome again before the committee.

[A prepared statement of Senator Ford and the text of S. 979 follow:]

STATEMENT OF HON. WENDELL H. FORD, A U.S. SENATOR FROM THE STATE OF KENTUCKY

Mr. Chairman, I would like to lay down my position up front. As of now, I am in favor of the simple extension of EPCA. The bill before us does that. I will pay close attention to the arguments and proposals for changes in EPCA, but I will have to be convinced that they override the necessity for timely extension.

99TH CONGRESS
1ST SESSION

S. 979

To extend the expiration date of titles I and II of the Energy Policy and Conservation Act, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 23 (legislative day, APRIL 15), 1985

Mr. MCCLURE introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

---

A BILL

To extend the expiration date of titles I and II of the Energy Policy and Conservation Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Energy Policy and Conservation Amendments Act of 1985".

SEC. 2. EXTENSION OF TITLES I AND II OF THE ENERGY POLICY AND CONSERVATION ACT.

Section 531 of the Energy Policy and Conservation Act (42 U.S.C. 6401) is amended by striking "1985" wherever it appears and inserting in lieu thereof "1989".

SEC. 3. EXTENSION OF EXPIRATION DATE OF SECTION 252 OF THE ENERGY POLICY AND CONSERVATION ACT.

Section 252(j) of the Energy Policy and Conservation Act (42 U.S.C. 6272(j)) is amended by striking out "1985" and inserting in lieu thereof "1989".

STATEMENT OF HON. DANNY J. BOGGS, DEPUTY SECRETARY, DEPARTMENT OF ENERGY

Mr. BOGGS. Thank you, Mr. Chairman, members of the committee. I will try to summarize the statement briefly. Basically, we believe that there have been real improvements in the U.S. energy situation: In our production capability, in our efficiency of energy use, and in reduced imports and import vulnerability.

In the rest of the world there have been somewhat similar improvements, as OPEC's share of the oil market and of the energy market has declined. However, most of the world remains more dependent on OPEC oil than we are.

In the direct field of emergency preparedness, we have made a number of advances. We now have a much larger strategic petroleum reserve, which now stands at over 465 million barrels, more than 4 times its status when President Reagan took office. At the end of fiscal year 1985 it will contain 489 million barrels, which is over 110 days' worth of our total net current oil imports.

We have made advances in deregulation of the energy markets in oil and partially in gas, which will allow the energy markets to work more efficiently, both now and were there to be any energy supply interruption.

We have also continued our cooperation through the International Energy Agency and we have made advances in our coordination with them on the workings of an oil-sharing program and on the workings of stock policy.

All of these changes in our situation can lead us to be more confident, but not complacent. In order to continue our emergency preparedness efforts, we favor a simple extension of the Energy Policy and Conservation Act through June 30, 1989.

Major provisions of this act contained in title I and title II are scheduled to expire on June 30 of this year. Title I authorizes, among other things, the construction and filling of the SPR and provides the Presidential authority to draw down the SPR to meet a severe energy supply interruption or to meet U.S. obligations under the International Energy Program.

Title II facilitates U.S. participation in the IEA. Among other things, it provides antitrust and breach-of-contract protections for oil companies to share oil voluntarily under the IEA's emergency oil-sharing system and provides the needed authority to make information available to the IEA.

These are the essential provisions that provide the authorities needed by the administration to prepare for and respond to energy emergencies.

While the existing statute is not perfect, the authorities granted are sufficient to continue our emergency preparedness activities. In view of the impending expiration date, we believe the best available approach is to extend the current law for 4 years. This is the course most likely to ensure that these authorities do not lapse on June 30 of this year.

Such an approach should not be viewed as an endorsement of all of the provisions in this complex act. Some provisions run counter to the administration's policy and are not necessary for effective emergency preparedness. Nevertheless, we do not believe these pro-

visions would hinder our ability to use the critical authorities for drawdown of the SPR and for coordination with IEA as we have previously discussed.

Mr. Chairman, we believe that an extension of EPCA will help us to maintain our current SPR policies, honor our commitments, and, continue our working coordination with our IEA allies.

This concludes my prepared testimony.

[The prepared statement of Mr. Boggs follows:]

STATEMENT OF HON. DANNY J. BOGGS, DEPUTY SECRETARY, DEPARTMENT OF ENERGY

Mr. Chairman and Members of the Committee, I appreciate this opportunity to appear before you to discuss energy emergency preparedness, and to present the Administration's position on extending the Energy Policy and Conservation Act (EPCA).

Energy Situation

I am pleased to report that America's energy situation has improved. Last year the U.S. economy grew 7 percent, while oil consumption increased by only 3 percent. This continues a 10-year trend of increasing energy efficiency. Total energy consumption in 1984 was lower than that of 1973, and was far below what would have resulted from a continuation of pre-1973 trends. Yet economic output over the same period increased by nearly a third in real terms. To illustrate the gains in economic and energy efficiency we achieved over that period, the amount of energy required to produce a constant dollar of gross national product has fallen by more than 20 percent since 1973, including a 2 percent decline in 1984.

Another aspect of our improved energy situation is the dramatic reduction over the past few years in petroleum imports. Net petroleum imports (excluding SPR imports) have declined from 46 percent of total U.S. oil consumption in 1977, the peak year for imports, to 28 percent of a smaller level of consumption in 1984. President Reagan's complete decontrol of domestic oil prices was a major factor in encouraging domestic oil production and

reducing U.S. dependence on foreign oil. U.S. oil production, despite declining wellhead prices, has increased every year since 1980.

In addition, vulnerability to oil supply disruptions is much lower today than it was in the 1970s. Two major developments in the world oil market caused this reduced vulnerability. First, worldwide dependence on oil from the Persian Gulf has declined significantly. Crude oil production from Persian Gulf countries declined by 48 percent from 1973 to 1984, while production from both non-OPEC free-world countries and the communist bloc increased by 47 percent. During the period 1973 to 1979, Persian Gulf producers accounted for 34 to 38 percent of world crude oil production. Today they account for only 20 percent.

Moreover, consumers switched from oil to other energy forms. Dependence on oil as a source of energy in the U.S. declined from 49 percent in 1978 to 42 percent last year. The trend in the world as a whole was virtually identical, with oil declining from 48 percent to 42 percent of total energy consumption. As a result of the divergent trends in oil production within and outside the Persian Gulf and the worldwide shift from oil to other energy sources, dependence on the Gulf has declined dramatically from 17 percent of all world energy requirements in 1978 to 9 percent last year.

The second major development is that there is about 9 million barrels per day of excess oil production capacity worldwide, of

which about 3 million barrels per day is outside the volatile Persian Gulf. This excess production capacity has been caused by reduced oil demand worldwide, coupled with increased production from more secure sources, notably the North Sea and Mexico. The current excess production capacity could be tapped in a crude oil supply interruption to offset lost production.

In other important respects, we and our allies are far better prepared to deal with oil supply disruptions. The progress is significant and permanent:

- Our oil "insurance policy," the Strategic Petroleum Reserve (SPR), will contain 489 million barrels by the end of FY 1985, which is the equivalent of approximately 110 days of 1984 net petroleum imports (excluding SPR imports). Other developed nations, primarily Japan and West Germany, have increased their strategic stocks from 90 million barrels in 1979 to 198 million barrels in 1984. In addition, some of them (primarily West Germany) have 144 million barrels in stocks held by commercial companies but controlled by the government.

- As mentioned previously, counterproductive controls on U.S. oil markets have been abolished. These controls amplified past supply disruptions in the U.S. Their elimination will make any subsequent disruption less difficult for the American people to handle.

Partial deregulation of the natural gas market is also an encouraging development. On January 1, 1985, about 50 percent of domestic natural gas production was decontrolled under the Natural Gas Policy Act. Partial decontrol will increase competition in the natural gas market. Natural gas prices have already fallen in real terms and may well continue that trend during the next few years. The Administration supports comprehensive deregulation to promote even greater competition and provide American gas consumers with lower and more stable natural gas prices. Additionally, a free natural gas market will allow more flexibility for fuel switching in the case of an energy supply disruption.

These are grounds for confidence but not complacency. International economies are interdependent, and most of our trading partners are more vulnerable to supply disruptions than we are. A major crisis in international energy markets, although unlikely in the foreseeable future, would be felt here as well as abroad. The prudent policy for all Americans, as well as their Government, is to continue to work towards further deregulation of U.S. energy markets, so that the favorable trends of the past few years can continue. A firm commitment to policies that rely on the dynamic forces of the marketplace will contribute to this Nation's energy and economic security and that of our allies. Emergency preparedness efforts at all levels should also continue.

Emergency Preparedness Program

The Administration's energy emergency preparedness program consists of several critical components. The most important of these is permitting the market to operate freely and efficiently, unfettered by government regulation or other intervention, both in periods of surplus and during supply emergencies.

The Strategic Petroleum Reserve is a second key element. This Administration has made a strong commitment to the SPR. By the end of this fiscal year, we, with the support of Congress, will have increased the amount of oil in storage by 378 million barrels, more than quadrupling what was in storage when this Administration took office. This insurance investment, which will total some $16.7 billion by the end of this fiscal year (excluding carrying costs), coupled with a more diversified, competitive world oil market, provides this Nation with substantial protection against the potential for oil import reductions in the foreseeable future, a level of protection that fully satisfies U.S. security requirements.

Another important component of our emergency preparedness program is the United States' continuing commitment to the International Energy Agency (IEA) to assure mutual preparedness in the event of a major supply disruption. We are fully aware of the interdependence of our energy security with that of the rest of the free world. Therefore, it is important that we maintain our

strong commitment to the IEA. One example of our cooperative efforts is the recent IEA Governing Board decision regarding coordinated drawdown of strategic stocks. This decision recognizes the value of using stocks early in a significant supply disruption and establishes a means by which such drawdown can be implemented on a coordinated basis.

Energy Policy and Conservation Act

In order to continue our emergency preparedness efforts, the Administration favors a simple extension of the Energy Policy and Conservation Act (EPCA) through June 30, 1989. Major provisions of this Act contained in Title I and Title II are scheduled to expire on June 30, 1985. Title I authorizes, among other things, the construction and filling of the Strategic Petroleum Reserve (SPR), and provides for Presidential authority to draw down the SPR in a "severe energy supply interruption" or to meet U.S. obligations under the International Energy Program (IEP). Title II facilitates U.S. participation in the IEA. Among other things, it provides limited antitrust and breach-of-contact protections for U.S. oil companies to share oil voluntarily under the IEA's emergency oil sharing system, and provides the needed authority to make information available to the IEA.

These are the essential provisions that provide the authorities needed by the Administration to prepare for and respond to energy

emergencies. Acting under these authorities, we have achieved the level of emergency preparedness that has been discussed today.

While the existing statute is not perfect, the authorities granted are sufficient to continue our emergency preparedness activities. In view of the impending expiration date, we believe the best available approach is to extend the current law for four years. This is the course most likely to ensure that these authorities do not lapse on June 30 of this year.

Such an approach should not be viewed as an endorsement of all the provisions in this complex Act. Some provisions run counter to the Administration's policy and are not necessary for effective emergency preparedness. Nevertheless, we do not believe these provisions would hinder our ability to utilize the critical authorities previously discussed.

Conclusion

Given the favorable world energy situation, and given the progress which we have made in our emergency preparedness programs, an extension of the EPCA will help us maintain our current SPR policies and honor our commitments to our IEA allies.

This concludes my prepared testimony. I will be happy to answer questions.

The CHAIRMAN. Thank you very much.

We will next hear from Secretary Wendt. Again, your full statement will be placed in the record, and you are invited to summarize.

STATEMENT OF HON. E. ALLAN WENDT, DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL ENERGY AND RESOURCES POLICY, DEPARTMENT OF STATE

Mr. WENDT. Thank you very much, Mr. Chairman.

Let me say at the outset that the administration strongly favors simple extension through June 30, 1989, of title I and title II of the Energy Policy Conservation Act.

We believe that together these EPCA provisions are vital to U.S. energy security and to our ability to fulfill our international commitments in the energy sphere. The world oil market today is characterized by ample supply, but as Mr. Boggs noted, "That is not a reason to be complacent." A lapse in EPCA would convey the impression internationally that the United States is not really serious about energy security.

A lapse in EPCA would be particularly unfortunate coming on the eve of a ministerial meeting of the International Energy Agency which is scheduled for July 9 of this year. The meeting marks the 10th anniversary of the IEA, and we will want to go into that meeting with the legislative authority needed to enable us to respond effectively in an energy emergency.

No matter how successful we may be in conserving energy and diversifying our supplies, we need to continue to be prepared for a possible disruption of world oil supplies. We are all aware of the volatile situation in the Middle East. We recognize that for many reasons, normal trade flows can be and have been disrupted, and that such disruptions can be very costly to our economies. In a global and fungible oil market, the United States would be affected by disruption in any part of the world because the disruption could drive up prices on the world market.

We believe adequate oil stocks and a cooperative approach by major industrialized nations are the key factors in minimizing the economic damage of a supply disruption. Most IEA members rely on private stocks to meet their commitments in the IEA. The U.S. Government-owned strategic petroleum reserve, which was insignificant in the 1970's will hold 489 million barrels of oil at the end of this fiscal year. This is far more than any other IEA country holds.

In a major supply disruption, Mr. Chairman, we believe that the early sale of SPR oil in large volumes ordinarily is the best policy for SPR use. Rapid replacement of oil lost because of a disruption will mitigate price increases while a new worldwide supply and demand equilibrium is reached. We want the marketplace to know in advance that this is our general policy in order to discourage panic buying.

On July 11 of last year, the IEA Governing Board reached a landmark decision on the use of oil stocks, agreeing that early drawdown of emergency stocks in the case of an oil supply disruption and other mutually supportive actions to restore the supply

and demand balance are vital elements in minimizing economic damage. We think that this decision reflects increased awareness of the importance of a market-oriented approach to emergency preparedness, and illustrates the dynamic nature of the IEA as an institution and the continuing effort within the Agency to improve the security of its members.

The existence of the IEA is clear evidence of a commitment by its member states, including most of the industrialized countries, to cooperation rather than competition in responding to a serious oil supply disruption. We remain committed to the IEA system based primarily on market reliance as our first line of defense. The IEA provides a forum for member countries to coordinate their activities in the event of a crisis, and we believe the United States benefits greatly from this cooperative approach.

The IEA also buttresses our national security interests from a strategic perspective. Our own national security policy is linked to that of our allies. Our fates are interwoven. Over the years we have made enormous sacrifices in support of our various alliances because we believe that they are in our global interest, and our investment in the IEA is one of the smaller of these sacrifices.

Most of our allies are more dependent on imported oil than we are, some nearly totally dependent. A cutoff of oil supplies to our partners would have, of course, a direct and serious impact on their interests, but it would also affect our own. That is why we have encouraged our allies to hold strategic stocks.

In addition to mechanisms for coping with a supply emergency—that is, the oil allocation system and the new stock mechanism I described earlier—the IEA provides an important and readily available forum for consultations on longer term considerations. The IEA is playing an important role in the identification and reduction of barriers to the operation of market forces in international energy trade, as well as promoting the development of resources indigenous to the member states: the safe use of coal and nuclear power, conservation and international collaboration in energy research. It also provides a forum for dealing with basic energy security issues such as those that have arisen in the last few years over natural gas security.

Let me comment on one unique feature of EPCA, Mr. Chairman: section 252. It provides authority for extending an antitrust defense to companies participating in the IEA system of voluntary offers to supply and receive oil on a market-related basis in a supply disruption. Company participation in the IEA is essential to the implementation of the emergency allocation system and to the more market-oriented approach the IEA has followed in recent years.

We, and most of our IEA partners, recognized in the beginning, when the IEA was formed, that governments do not manage commercial operations very well. Over the past 10 years we have developed a system that ensures the cooperation and help of the companies, which normally conduct the bulk of international oil trade, to make the allocation system work.

I would conclude, Mr. Chairman, by observing, that the United States has significantly strengthened its emergency preparedness during this administration. We continue to work both domestically and in cooperation with our partners in the IEA to strengthen our

energy security, with respect to both emergency preparedness and longer term development of secure sources of energy supply at reasonable prices.

EPCA is essential to our effort not only in the concrete sense of providing specific legislative authorization to relevant programs, but also in a symbolic sense. A lapse in EPCA would undermine confidence in our commitment to this endeavor, both at home and in IEA capitals, and encourage complacency, which can undo the good work of the past decade.

Thank you very much.

[The prepared statement of Mr. Wendt and the statement submitted by the Department of Justice follow:]

STATEMENT OF HON. E. ALLAN WENDT, DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL ENERGY AND RESOURCES POLICY, DEPARTMENT OF STATE

Good Morning. I am Allan Wendt, Deputy Assistant Secretary for International Energy and Resources Policy at the State Department. We work closely with the Department of Energy on the international aspects of U.S. energy policy, and in particular our participation in the International Energy Agency. I appreciate this opportunity to testify on S#979 which would authorize the extension for four years of Titles I and II of the Energy Policy and Conservation Act (EPCA).

These titles expire on June 30 of this year. The Administration strongly favors simple extension through June 30, 1989. Title I created the Strategic Petroleum Reserve. Title II provides the basis for U.S. participation in the 21-member International Energy Agency. Together these EPCA provisions are vital to U.S. energy security and to our ability to fulfill our international commitments in the energy sphere.

Although the world oil market has been favorable, we must not drift into complacency on energy issues. A lapse in EPCA would convey the impression internationally that the U.S. is not serious about energy security.

It would be particularly unfortunate since a Ministerial meeting of the International Energy Agency is scheduled for July 9. This meeting marks the tenth anniversary of the IEA.

On the agenda will be a retrospective look at the progress achieved in the last decade, the lessons learned, and the challenges that lie ahead in maintaining and strengthening our energy security. We would not want to go into that meeting without the legislative authority needed to enable us to respond effectively in an energy emergency.

A decade ago, the Western world was thrown into crisis by the loss of less than 3 million barrels of oil per day. Since then, world oil production has declined by about 2 million barrels per day, and OPEC production by 13 million barrels per day. We face frequent attacks on oil transportation in the Persian Gulf. What has happened to enable the oil market to respond not with drastic price increases, but with stability, and even a price decline? A key reason is that worldwide, we now estimate that 10 million barrels of surplus oil production capacity exists.

First, we have made great strides in increasing primary energy production, energy conservation and diversification by OECD members. Between 1973 and 1984 IEA countries increased oil output by about 20 percent, coal by about 30 percent and nuclear by over 350 percent. At the same time, structural changes made IEA nation economies less energy-intensive -- the

energy to GDP ratio declined by nearly 20 percent. We also diversified our sources of supply. In terms of suppliers, the Persian Gulf supplied only 9 percent of world energy requirements in 1984 compared with 17 percent in 1978. With respect to fuel usage, in 1984 oil provided about 43 percent of total energy requirements of IEA members compared to 52 percent in 1973.

A second and equally important reason for our enhanced energy security is emergency preparedness. Unlike 1973, we have in place today a strong Strategic Petroleum Reserve with 108 days of net import protection, and a an institutional framework for cooperation among major industrialized countries -- the International Energy Agency.

No matter how successful we may be in conserving energy and diversifying away from oil, we need to continue to be prepared for a possible disruption to world oil supplies. We value our good trading relations with our oil suppliers, but at the same time we must recognize that, for many reasons, normal trade flows can be and have been disrupted. Such disruptions, if they are severe, may be enormously costly to our economies. And a disruption in any part of the world can affect the U.S., since the oil market is a global and fungible one. Severe shortages can do damage to us here by driving up prices in the world market.

We believe that adequate oil stocks and a cooperative approach by major industrialized nations are the key factors in minimizing the economic damage of a supply disruption. All IEA members are pledged to maintain total stocks equivalent to 90 days of net oil imports. This requirement can be met either through privately held or government owned stocks. Most IEA members rely on private stocks. The U.S. Government-owned Strategic Petroleum Reserve, which was insignificant in the 1970s, will hold 489 million barrels of oil at the end of this fiscal year. This is far more than any IEA country, even those that are heavily dependent on Middle East oil. The degree of coverage in terms of days of net oil imports will be equivalent to the protection envisioned when the 750 million barrel target was established. Thus, the Strategic Petroleum Reserve, coupled with privately held stocks of approximately 1 billion barrels, provides ample protection far exceeding our obligations under the International Energy Program. Other major oil users, including the Federal Republic of Germany and Japan, also own or directly control substantial stocks, and we continue to encourage our IEA partners to increase their stocks.

We believe that, in major disruption, the early sale of SPR oil in large volumes ordinarily is the best policy for SPR use. This policy makes it possible to replace rapidly some oil lost because of disruption and, therefore, to reduce price increases while worldwide supply and demand reach equilibirium. The market place needs to know in advance that this is our general policy so that unnecessary panic behavior can be avoided. On July 11 last year, the IEA Governing Board reached a landmark decision on the use of stocks. The members agreed in concept that the early drawdown of emergency stocks in the case of an oil supply disruption, and other mutually supportive actions to restore the supply and demand balance, are vital elements in minimizing economic damage. This decision provides a basis for coordinated stock draw in an emergency. A new consultative mechanism--open to all OECD members--provides an opportunity for key energy consumers to meet quickly and informally in a crisis. This group will be free to decide on and implement a coordinated stock draw by its participants. This decision of the Governing Board illustrates the dynamic nature of the IEA as an institution and the continuing effort within that agency to improve the energy security of its members. It also reflects increased awareness of the importance of a market-oriented approach to emergency preparedness, an approach based on increasing supplies and restraining demand rather than allocating oil.

In my comments on the SPR and the importance of oil stocks, I have noted the importance of the IEA. I would like to comment more directly, and in more general terms, on its value to us. The existence of the IEA is clear evidence of a commitment by its member states - most major industrialized nations - to cooperation rather than competition in responding to a serious oil supply disruption. The creation of an emergency oil sharing system was a concrete result of the decision to cooperate. We remain committed to that system, but as I have already indicated, market reliance supplemented by stocks are today our preferred first line of defense. My main point here is that the IEA provides a forum to permit member countries to coordinate activities in the event of a crisis. The U.S. benefits from this cooperative approach, as do all other IEA member states.

The IEA also buttresses our national security interests from a strategic perspective. It has long been a fundamental tenet of our national security policy that the safety of the United States is inextricably linked to that of our allies in Western Europe and the Far East. Over the years, we have made enormous sacrifices in support of these alliances -- because they are in our own global interests. Our investment in the IEA is one of the smaller of these sacrifices. Most of our

allies are more dependent on imported oil than we -- and some of our allies are nearly totally dependent on imported oil. A cut-off of oil supplies to our IEA partners would have a serious impact on their interests as well as our own. That is why we have encouraged our import dependent allies to hold strategic stocks. The IEA is designed to protect our interests and our alliances in a time of energy crisis, and to distribute the burden of dealing with disruptions in an equitable manner.

In addition to mechanisms for coping with a supply emergency -- the oil allocation system and the new stock mechanism -- the Agency provides an important and readily available forum for consultations on longer-term considerations. The Agency is playing an important role in the identification and reduction of barriers to the operation of market forces in the international energy sector, as well promoting the development of indigenous IEA energy resources, the safe use of coal and nuclear power, conservation and international collaboration in energy research and development. It also provides a forum for dealing with basic energy security issues. In May of 1983, for example, IEA Ministers addressed new concerns over natural gas security by agreeing to avoid undue dependence on any one source of gas imports, and to obtain future gas supplies from secure sources, with emphasis on indigenous OECD sources.

I would like to comment on one unique feature of EPCA -- Section 252. It provides authority for extending an anti-trust defense to companies participating in the IEA system of voluntary offers to supply and receive oil on a market related basis in a supply disruption. Company participation in the IEA is essential to the implementation of the emergency oil allocation system, and to the more market-oriented approach the IEA has taken in recent years. We and most of our IEA partners recognized in the beginning that governments do not manage commercial operations well. Over the past ten years, therefore, we have developed a system that ensures the cooperation and help of the companies -- those who normally conduct the bulk of international oil trade -- to make the allocation system work. This should remain an integral part of the system in the future as well.

I would conclude, Mr. Chairman, by observing that the United States has significantly strengthened its emergency preparedness during this Administration. We continue to work both domestically and in cooperation with our IEA partners to further enhance our energy security, both with respect to emergency preparedness and to longer-term development of secure sources of energy supply at reasonable prices. EPCA is essential to our efforts, both in the concrete sense of providing specific legislative authorization to relevant programs but also in a symbolic sense. A lapse in EPCA would undermine confidence in our commitment to this endeavor, both at home and in IEA capitals, and encourage complacency, which can undo the good work of the past decade.

This concludes my prepared testimony. I will be happy to answer any questions.

U.S. Department of Justice

Office of Legislative and Intergovernmental Affairs

Official Committee File

Office of the Assistant Attorney General

Washington, D.C. 20530

May 10, 1985

SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES
RECEIVED
MAY 13 1985
WASHINGTON, D.C. 20510

Honorable James A. McClure
Chairman, Committee on Energy
and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Chairman McClure:

This letter responds to your request for the views of the Department of Justice on S. 979, a bill to extend the expiration date of titles I and II of the Energy Policy and Conservation Act (EPCA), 42 U.S.C. § 6201 et seq., and to extend the expiration date of section 252 of that Act, 42 U.S.C. § 6272. Section 2 of S. 979 would amend section 531 of EPCA by extending the expiration date of all authority granted under titles I and II of EPCA from June 30, 1985, to June 30, 1989. Title I of EPCA authorizes, among other things, construction and filling of a Strategic Petroleum Reserve (SPR), and Presidential authority to draw down and distribute the reserve in case of "a severe energy supply interruption" or to meet the "obligations of the United States under the International Energy Program." 1/ Title I also provides the President with discretionary power to restrict exports of energy supplies and to require accelerated production of crude oil or natural gas from designated fields. Title II of EPCA provides the President with discretionary power to direct the preparation and implementation of energy conservation contingency plans and to take actions necessary to fulfill the obligations of the United States under the International Energy Program (IEP). Title II also authorizes the development and carrying out of voluntary agreements and plans of action under prescribed circumstances, and the transmittal, by the United States government, of energy-related data to the IEA.

Section 3 of S. 979 would amend section 252(j) of EPCA to extend the effective expiration date of section 252 from June 30, 1985, to June 30, 1989, thereby extending the antitrust and breach of contract defenses provided by section 252 through June 30, 1989. Section 252(f) of EPCA provides a limited antitrust defense and section 252(k) provides a breach of

---

1/ 42 U.S.C. § 6241(d).

contract defense to United States oil companies participating in voluntary agreements or plans of action to assist in carrying out the allocation and information provisions of the IEP. Those provisions of the IEP provide, inter alia, for oil companies to assist IEA member governments in learning more about developments in the international oil market. They also provide for U.S. oil companies to cooperate with the oil companies of other industrialized nations in developing, and, in the event of an oil supply disruption, in implementing, the emergency oil sharing system of the International Energy Agency (IEA).

The Department of Justice supports enactment of the bill. Deputy Secretary Danny J. Boggs of the Department of Energy testified for the Administration on March 27, 1985, in support of a simple extension of EPCA before the House Energy and Commerce Subcommittee on Fossil and Synthetic Fuels. As to enactment of section 2 of the bill, the Department of Justice defers to those divisions and agencies more directly concerned with the need for the energy-related authorities granted under EPCA. The Department supports section 3 of the bill which would extend for four more years the effective date of the antitrust and breach of contract defenses provided for actions by United States oil companies in developing or carrying out approved voluntary agreements or plans of action.

The Department of Justice has testified and reported in favor of extensions of the antitrust defense in the past. Neither the antitrust nor the breach of contract defense is likely to result in harm to competition because of three important limitations contained in the statute. First, the defenses apply only to actions taken in accordance with a voluntary agreement or plan approved by the Attorney General, after consultation with the Federal Trade Commission. 2/ The Attorney General has the power to discontinue approval prospectively. 3/ Second, the antitrust defense does not apply to actions taken for the purpose of injuring competition. 4/ Finally, the defenses apply only to voluntary agreements or plans designed to deal with emergencies of more than a seven percent shortfall as defined in the IEP. 5/

2/ 42 U.S.C. § 6272(d)(1).

3/ Id.

4/ 42 U.S.C. § 6272(f)(1).

5/ See 42 U.S.C. § 6272(m).

In addition to these direct limitations on the defenses, EPCA imposes several procedural safeguards designed to prevent risk to competition. These safeguards include a requirement that the Attorney General and Federal Trade Commission monitor actions taken under the voluntary agreement, 6/ and report to Congress on the impact of such actions on competition and on small business. 7/ Based on our monitoring of industry activities, the Department has consistently reported that it has found no adverse impact on competition or small business as a result of the activities of U.S. oil companies under the IEP. 8/

Without the antitrust or breach of contract defenses, U.S. companies might very well reduce or discontinue their assistance to the IEA. Without U.S. company participation, the emergency oil sharing system of the IEA could not function. The Department of Energy, in its testimony on this proposed legislation, stressed the Administration's commitment to the IEA. So long as there remains a need for intergovernmental cooperation on international energy matters, the limited statutory defenses for U.S. oil companies participating in IEA programs should be continued. Accordingly, the Department of Justice supports enactment of S. 979.

The Office of Management and Budget has advised that there is no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

Phillip D. Brady
Acting Assistant Attorney General

By:

Michael W. Dolan
Deputy Assistant Attorney General
Office of Legislative and
Intergovernmental Affairs

6/ 42 U.S.C. § 6272(e)(1).

7/ 42 U.S.C. § 6272(i).

8/ See, e.g., Thirteenth and Fourteenth Reports of the Attorney General, Pursuant to Section 252(i) of the Energy Policy and Conservation Act, as of September 30, 1983 and February 29, 1984.

The CHAIRMAN. Thank you.

As you would know from my opening statement, as well as from what I have said in the past and what we've attempted to do in the past, I do not believe that the current statutory basis for energy emergency response is sufficient, even with the extension of EPCA. But I do believe that, obviously, the provisions of EPCA are essential to the basis of that ability to respond.

There is no widespread agreement, however, as to what, if anything, should be done to improve our capacity. We've been down that road before. This committee, and myself, took the lead in introducing and passing legislation which was vetoed by the President as being excessive to his needs.

I will not reopen discussion of all of those issues, at this time. As I stated in my opening statement, I believe it is essential that we extend the provisions of EPCA that are essential, although perhaps not every provision is essential, but it's more likely that we'll get that done by a simple extension than if we debate about whether we should add or subtract from those authorities.

I judge from the statements of both you gentlemen that the administration's position is, as I have stated, that while there may be some desire on the part of the administration to subtract or change the authorities in EPCA, and there might be the desire on the part of some of the rest of us to add to those authorities, but there is no agreement, no likelihood that we'll get such an agreement. Therefore, a simple extension is the better course to follow.

Is that correct, Mr. Secretary?

Mr. BOGGS. Yes, Mr. Chairman. I think you stated it exactly. We went through a process of considering what types of, as you stated it, both subtractions and additions, and other changes might be desirable, and concluded that in the legislative process the wisest thing was to get the necessary authorities extended in time for the expiration, in time for the upcoming IEA meetings, and that this would be the soundest course to follow.

The CHAIRMAN. Senator Ford.

Senator FORD. I have an opening statement. I'd like to have it placed in the record.

The CHAIRMAN. Without objection, it will be placed in the record following my opening statement.

Senator FORD. I thank the chairman.

Mr. Wendt, you answered a question that I had been concerned about—what your opinion would be on the effect of not extending EPCA. And you say in the last part of your statement, I think very emphatically, that "EPCA is essential to our efforts both in the concrete sense of providing specific legislative authorization to relevant programs, but also in a symbolic sense. A lapse in EPCA would undermine confidence in our commitment to this endeavor, both at home and in IEA capitals, and encourage complacency, which can undo the good work of the past decade."

So then you express your opinion about the extension forcefully, I think.

Let me ask just one other question, then. What statutory authority would remain for the President to do the things that he might deem necessary? I ask that question based on section 104(b) of EPCA that provides that the authority of the President specified in

the Defense Product Act [DPA] to allocate energy supplies and equipment and require priority in the performance of contracts expires or expired on December 31, 1984.

There are some who believe we need to change this date to whatever date we pick for the expiration of EPCA as a whole or we will run the risk of revitalizing this December 31, 1984, expiration date because Congress has already extended the DPA authority in other legislation last year.

Can you give me some guidance as to maybe what might result in a legal dispute?

Mr. WENDT. Senator, I think that Mr. Boggs is in a better position to respond to that essentially legal question and I would like to defer to him on it.

Mr. BOGGS. Senator, I have been advised that it would be our opinion that the extension that has already taken place, as you indicated of DPA, would be effective regardless of whether this particular section of the law were extended or not. I am not familiar with the legal arguments myself, but we could provide you with a paper on it. But I have been advised that that is our opinion.

Senator FORD. Well, I'm basically talking about the extension of DPA. What I might do, Mr. Boggs, is give you a question in writing for a response that would tie those two together, and you might look at the legal ramifications of it or the possible dispute there as it conflicts or could conflict.

Mr. Chairman, that's all I have.

Mr. BOGGS. We'd be happy to do that, Senator.

The CHAIRMAN. I think the Senator points to another one of the concerns that many of us have had, and that is the gap that would flow from the triggering of the authorities under the DPA. The Department of Justice in the past has indicated that there's a substantial hiatus that could develop in that period of less than a total disruption effecting national security.

At some point DPA is triggered, but at some point it is not triggered. And that was one of the concerns we had and I still have. The Department of Justice, to my knowledge, has not changed their opinion with respect to the authority under DPA.

Senator Wallop.

Senator WALLOP. Mr. Chairman, let me begin by saying that it would be my hope that we would get a simple extension, too. And my question goes, really in a kind of abstract kind of way, toward the need for it.

It strikes me, and I just want to hear both of you comment, that OPEC appears to be in the beginning stages of picking up the pieces of its broken act. It seems to me they're doing a little better job of supply control or production control, and it seems to me that they're getting a little more agreement than has been evident amongst them for the last several years.

I wonder if you'd comment.

Mr. BOGGS. I guess I was one who hesitated to say that they were completely collapsing when that seemed to be the tenor of comments, because of course they had been restraining production all along. Their production has remained well below their capability.

I'm not sure that a runup in price, as we've had in the last month or two—depending on which market newsletter you read, it

may seem to be reversing—shows that much of a change. I really can't give you an opinion that they're much better off or much worse off. They continue to have the problem that they'd like to produce more but they can't, without affecting the price.

Some countries are exceeding their quotas; other countries are not. I would have to say my personal view is that things continue to remain in a kind of uneasy equilibrium, as they have for a couple of years.

Mr. WENDT. Senator, I think there is some evidence, at least in the short term, that OPEC countries have been able to keep their production down around 16 million barrels a day. This is a lot less, as you know, than they used to produce. But individual member countries of OPEC—particularly the more populous countries that also have great indebtedness—are under great strain to produce more oil. There is a certain amount of cheating that goes on to enable individual countries to produce above their quota, and that activity tends to undermine OPEC efforts to maintain a certain price structure.

According to most analyses we have seen, and done ourselves, the market is likely to be characterized by continued weakness—let's say it's a slack market—for the next few years. No one really has the gift of clairvoyance; we don't know how long the situation will last. But the longer term analyses suggest that there will be a tightening of the oil market and increasing dependence on oil coming out of the Persian Gulf region (produced by a relatively small number of countries) sometime in the next decade.

So from the point of view of EPCA and IEA, we think that the case for maintaining vigilance and strengthening our capablity to cope with supply disruptions is a very strong one. As I noted in my testimony, even if we think a major supply disruption is improbable, the economic damage could be very great.

So we think this legislative authority is very important, whatever may be going on in OPEC.

Senator WALLOP. Well, that improbability is enhanced by the existence of both SPRO and EPCA, is it not? That's what the idea of it is.

Mr. WENDT. The idea is to strengthen our capacity to deal with a major supply disruption. A supply disruption could be politically motivated.

Senator WALLOP. I understand that, but I guess what I'm saying is that the whole purpose of its existence is to keep that supply disruption as improbable as within our reach, not controlling the sources of supply, but being able to affect how much they could do at any given moment.

Mr. BOGGS. I think the Senator is quite correct. It's, of course, always impossible to run history backward and try it again with different circumstances, but I would certainly believe myself that, had we not had the strategic petroleum reserve at the 450 million barrel level that we had in the past year, the events in the Persian Gulf of the past year could have led to more serious consequences than have in fact happened.

Senator WALLOP. Thank you.

Mr. WENDT. I would add, Senator, that events in the Persian Gulf that seemed quite threatening when the attacks on shipping

began actually had very little impact on the market. That illustrates, in our view, the successes we have achieved in strengthening our emergency preparedness.

Senator WALLOP. Thank you.

The CHAIRMAN. I would agree that that strengthening had an effect, but I think that perhaps the decline in world consumption and excess capacity had more to do with it than our governmental action, although governmental action may have helped.

Senator Nickles.

Senator NICKLES. Mr. Chairman, I would certainly echo your comments. I think the soft market and the supply situation internationally and the fact, too, that we're importing more from nations such as Canada and Mexico and Venezuela and Colombia and so on has had a lot more to do with it than EPCA.

As a matter of fact, let me ask a question. This was in effect since, what, 1974—or passed in 1974? Did it trigger into an allocation or sharing system in the shortage of 1979?

Mr. WENDT. No, sir; the sharing scheme has never been triggered.

Senator NICKLES. At what point does it become triggered?

Mr. WENDT. When total oil supply to the IEA (or to one of its members) is disrupted to the extent of 7 percent; that is, there has to be a loss of supply in excess of 7 percent in order to trigger the system. Even then the sharing scheme is triggered only upon the advice of the Executive Director of the International Energy Agency and the Governing Board can block the triggering of the system if most member states want to do so.

Senator NICKLES. Who is the Executive Director?

Mr. WENDT. Helga Steeg.

Senator NICKLES. From where?

Mr. WENDT. The Federal Republic of Germany.

Senator NICKLES. And there's, what, 21 nations that are members?

Mr. WENDT. Twenty-one nations. All of the member states of the OECD except Finland, Iceland, and France.

Senator NICKLES. And so if the Executive Director said that he felt like a 7-percent shortage, worldwide shortage—I don't know where you come up with that—but then the Governing Board would come to an agreement. If they concurred, then we would trigger in some type of an allocation or worldwide sharing system?

Mr. WENDT. Not automatically. The sharing system could be triggered if, based on available information, supplies to the member states had been disrupted to the extent I indicated. But it is not a foregone conclusion that the system would be triggered. And, as I indicated in my testimony, we would want to rely initially on the market and on stock drawdown as our first line of defense. We see triggering of the system, to which we remain committed, as a last resort.

Senator NICKLES. Just looking at the other countries that are involved, as far as producing or significant producing countries, I only see the United Kingdom and Canada with any—well, Norway, I guess. They're the only significant producers.

I'm just concerned. I for one have opposed the allocation schemes that we've designed domestically, and I would really be adamantly

opposed if we found ourselves in a shortage situation if we were forced to basically share that with countries who haven't done as much planning, who haven't put in the investment.

What kind of teeth—let's say this Governing Board made that decision. Maybe the United States is in opposition. The United States doesn't—do we have a veto?

Mr. WENDT. We do not have a veto. However, we doubt the Executive Director would advise the Governing Board that the system should be triggered without the concurrence of the member states. We've made clear within the IEA that we would not favor early resort to the sharing scheme. We could block the decision to trigger the system, but only with the support of 14 other countries.

Senator NICKLES. What kind of teeth—we'll say that the Board members came up either with our consent or without consent, but let's say without it, and it did pass; there was some type of a shortage—what type of teeth is in the IEA? How mandatory is it? What kind of obligations do we have to supply?

Mr. WENDT. It is an international commitment that we freely entered into, and we would expect to live up to it. But I should point out that, contrary to what one might expect, fulfilling this commitment is unlikely to involve the export of oil from the United States. Our obligation, if any, to supply others with oil would be fulfilled by redirection of oil afloat on the high seas. Ships would be rerouted, but no oil would be exported from the United States.

If the United States met its obligations under the International Energy Program by drawing down its strategic petroleum reserve, we could actually end up with other countries having to direct oil toward the United States. The use of stocks, which I mentioned in my testimony, changes the picture substantially, and stocks really are our first line of defense.

We worked very hard last year to get the IEA decision I mentioned that creates a basis for coordinated stock draw by the member states. We have also done everything we can to encourage other members to build up their stocks and to maintain adequate levels. They are committed to maintaining 90-day coverage of imports in any event, and most of them meet that commitment.

Senator NICKLES. So all the member nations have committed to, what, a 90-day supply of imports?

Mr. WENDT. That is correct. They have to maintain stocks to cover 90 days' worth of imports.

Senator NICKLES. Japan and West Germany, have those countries done that?

Mr. WENDT. Yes, they have.

Senator NICKLES. Australia?

Mr. WENDT. Yes. There are, however, a few countries that are under the 90-day commitment. It goes back and forth, depending on their imports. Some countries whose imports have declined in recent years find that they can afford, therefore, to lower their stock levels somewhat because their consumption has gone down considerably, as has our own.

All the member states that import oil are committed to holding stocks. Germany and Japan maintain strategic stocks, just as we do; that is, hold stocks owned or controlled by their government, as opposed to stock owned and controlled companies.

Senator NICKLES. Thank you.

The CHAIRMAN. Thank you.

Senator Hecht.

Senator HECHT. Nothing.

The CHAIRMAN. Senator Bradley.

Senator BRADLEY. Thank you very much, Mr. Chairman. I would like to ask Mr. Boggs a couple of questions. I would simply say as a preface that while things are better now, I think that we have taken a number of decisions or about to take a number of decisions this year that will leave things less well off in the years to come, relating to the fill of the reserve, relating to what we're prepared to do to beef up our emergency preparedness measures.

And to that end, I'd like to ask Mr. Boggs if he has looked at S. 997, which is the bill that I introduced last year and again this year to beef up our emergency preparedness measures.

Mr. BOGGS. Yes, sir; I've reviewed S. 997. I have not thoroughly compared it with your bill from last year. I understand there are some differences and some similarities.

Senator BRADLEY. Well, do you have a general view about the use of SPR options as a way to try to moderate speculative price increases?

Mr. BOGGS. Senator, the Department has done studies and had some consideration of options. We have not arrived at any conclusion that sale of options is in fact something that we would want to do. There are certainly some potential advantages. There are clearly some potential disadvantages in terms of taking out of the hands of the President that decision on whether to use the SPR, which is in effect a fairly important and momentous decision.

It also opens up the system to difficulties, let us say, in popular understanding; that is, a purely market-based system, (an option that could be exercised just like a commercial option) ends up meaning that somebody who bought the option, whether it's Exxon or Boone Pickens, could end up getting oil at a price much cheaper than the market price turns out to be when he exercises the option.

And that can be very difficult to explain to the citizenry and constituency.

So I think our position at this point is not that we are ignoring those benefits; we have continued to look at what options could bring to us. But Secretary Hodel was not, and Secretary Herrington is not convinced, that going forward with options is something that we should do.

Senator BRADLEY. So essentially your reluctance to move toward options now relates to the fact that the market actually might work and might avert the rapid price increase that would otherwise flow?

I mean on the one hand you have——

Mr. BOGGS. I don't think that's what I said.

Senator BRADLEY. You have the Boone Pickens fear, the PR fear, the fear that someone might charge you with allowing the market to work and somebody might have made some money somewhere, no matter whether the economy is more protected.

Isn't that what you're saying?

Mr. BOGGS. I believe that the support and understanding of the citizenry for U.S. energy policy is very important, and we've gone through a decade where for a long time, from several different directions, our energy policy and energy system had a lot of credibility problems. I also indicated that the question of loss of control is an important one, the question of all of the mechanics of how you decide how much options to sell and what kind of price, and making all of those kinds of decisions in a nonemergency situation.

There are some theoretical benefits, but we've simply not seen that they would lead to enough benefit to want to do it.

Senator BRADLEY. All right.

Also in S. 997 is provision for emergency financial assistance. Last year in the House committee at which Secretary Hodel and I testified, he said he had real interest in creating an economic response plan to assist the corps to cope with the free market in an oil supply disruption. And he also said he intended to send legislation to the Congress early this year.

My question to you is, when can we expect to see the bill?

Mr. BOGGS. Well, I believe, when I reread the testimony, he indicated that he hoped that he would be able to have those desires translated into administration policy. It has not turned out that way; that is, it is not administration policy that we will specifically submit an economic response bill.

It is something that we have had a good deal of cogitation on. There have been some internal reports and options drafted. The major question, the major consideration is, is there is a system which, by putting it in place in advance, in some way actually provides us with the likelihood of a better outcome?

And you have a two-edged sword; that the more prescriptive that plan is in advance, you might say the more confidence that people know exactly how things will come out in an emergency—according to the plan—the more likely you are to miss the mark of what you really need if the emergency you planned for is not the one that turns out.

On the other hand, the more latitude you have in it and it appears to me at a first reading, Senator, that your bill contains a great deal of latitude; that almost all of the real teeth don't really come until the time of the emergency—how much money is there going to be; where is it going to go—the more the question arises, "What have you really done?" If you have no specific commitment to how much, if you have no specific commitment to who it's going to go to, if what you have is just a kind of general commitment to revenue sharing, that when the time comes we give the Governors more money, then have you really accomplished anything in that direction?

And we have wrestled with that dilemma, and as I say, at this point we have not arrived at something that we feel would be better than using the economic response that this society has to all kinds of dilemmas. We have recessions, we have economic upsets of all sorts, and we have an economic system to respond.

Senator BRADLEY. So your response is basically that you don't have any emergency plan for the poor in the event of an oil supply disruption and that you don't intend to have any. Staff has given me a letter from Secretary Hodel, December 27, 1984, "Our goal is

to submit our recommendation to Congress early in the new year." And therefore, you're not going to submit the recommendations for this, and you also have thought that the option idea was unworkable.

[The letter referred to follows:]

THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

December 20, 1984

RECEIVED

DEC 27 1984
TIME 9:04 a.m.
SUBCOMMITTEE ON ENVIRONMENT,
ENERGY & NATURAL RESOURCES

Honorable Mike Synar
Chairman, Environment, Energy and
Natural Resources Subcommittee
Committee on Government Operations
Rayburn House Office Building
Room B-371-B-C
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your September 25, 1984 letter requesting additional information on emergency economic response program options under review by the Department. I hope this letter and the enclosure will help clarify our approach to an energy emergency economic response.

As I indicated at the hearing on September 13, we are interested in a bipartisan approach to economic response. We share your goal to develop a feasible approach to that issue based on a careful examination of program options.

As I mentioned in my testimony, we have considered a number of energy emergency economic response options, including the possibility of increased benefits and eligibility in the Low Income Home Energy Assistance (LIHEAP) and/or Earned Income Tax Credit (EITC) programs; more rapid indexing of certain federal transfer programs; decreases in federal income tax withholding; increases in unemployment compensation benefits; and block grants to the states. At this stage in our review, we believe that, except for possibilities involving the LIHEAP and EITC programs, these options are not appropriate for emergency response because they cannot be targetted to those low-income families most likely to need assistance, likely would impose an excessive and unnecessary administrative burden on federal, state or local governments, and/or run the risk of being excessively expensive.

Our enclosed responses to the specific questions raised in your letter also address your concerns regarding Senator Bradley's energy emergency economic response proposal. In essence, it is my view that modification of existing programs, such as LIHEAP and EITC, probably would be a more effective and efficient approach to energy emergency assistance than the wholly new program which we believe is contemplated by Senator Bradley's proposal.

I cannot agree with your judgments that the options currently under review "do not appear to have been well thought out" or that our focus on LIHEAP is too "narrow." As an existing program specifically designed to provide energy-related assistance, LIHEAP is a logical mechanism for providing emergency aid. By providing a supplemental appropriation and minimum additional federal guidelines for a temporary period, it would be possible to use LIHEAP as a mechanism for delivering emergency assistance without affecting the existing permanent LIHEAP allocation formula or program operations. I hope you can agree that our focus on LIHEAP and EITC as existing mechanisms that might be used to provide a comprehensive emergency economic response does not limit the validity of our approach. I believe the Congress and DOE can take mutual assurance from the fact that our discussion at the September 13 hearing did not raise or identify any emergency response concerns that had not been addressed by the Department in its preliminary analysis.

We are continuing our analysis and interagency work to develop recommendations for an emergency economic response program in conjunction with our review of comprehensive emergency preparedness legislation. Our goal is to submit our recommendations to the Congress early in the new year. You have my personal assurance that we will work closely with the Congress to be as sure as one can be that energy emergency preparedness legislation, including any dealing with the subject of emergency economic response, serves the best interests of the Nation, including low income families who may be most severely impacted by a major oil supply disruption.

Sincerely,

Donald Paul Hodel

DONALD PAUL HODEL

Enclosure

ATTACHMENT

The following answers are provided in response to specific questions contained in Congressman Synar's letter of September 25, 1984.

1. [Provide] an analysis of the Bradley emergency economic response proposal, and a comparison of the Bradley proposal with the emergency economic response options now under review by the Administration.

   - o S. 2384 requires that a new standby block grant plan be established by Presidential rulemaking on the basis of new general enabling legislation. The options under consideration by the inter-agency working group of which the Departments of Energy, Treasury, Commerce, Interior, Housing and Urban Development, and Health and Human Services are members (the "Working Group") envision the possibility of a specific standby plan established by legislation adopted by the Congress and approved by the President which would be triggered by a Presidential decision subsequent to an event that he determines has or would cause a severe interruption of petroleum supplies. A key element of these options is to develop a bipartisan consensus on the standby program before an energy emergency actually occurs.

   - o S. 2384 would create a wholly new Federal program. The options under consideration by the Working Group would rely on existing federal programs (possibly modified as indicated in Secretary Hodel's September 13, 1984 testimony to the Subcommittee) and their delivery mechanisms in order to reduce administrative burden and provide for delivery of assistance during an energy emergency by means which have been employed for several years.

   - o S. 2384 would leave the responsibility to mitigate "extreme personal hardship" to the states. It is wholly conjectural as to how many states would be prepared to establish eligibility criteria and delivery mechanisms to implement such a program prior to an actual energy emergency. In contrast, the options under consideration by the Working Group pertaining to the EITC would involve the use of predetermined, specific eligibility criteria and delivery mechanisms, and the options pertaining to LIHEAP would involve predetermined federal guidelines and existing delivery mechanisms, in order to insure timely relief to low income households.

- o Options under consideration by the Working Group would involve specific trigger/termination provisions for the energy emergency assistance program to insure a limitation to the duration of the temporary program. S. 2384 contains no such provision.

- o S. 2384 and options under consideration by the Working Group both would provide funds to support essential public services and allow discretionary authority to Governors to make these determinations.

2. [Provide] an analysis of a new block grant-type emergency economic response program and a comparison of this type of program with the LIHEAP-based program options now under review by the Administration.

It is impossible to respond to this question without knowing what the Subcommittee means by the reference to "a new block grant-type emergency economic response program." Such programs could vary quite materially, depending on their scope and provisions. Assuming the question refers to the block grant programs apparently contemplated by S. 2384, we believe that the comparisons summarized in response to Question 1 show the advantage of the options under consideration by the Working Group. Such approach should maximize emergency benefits to low-income families in need and minimize the cost and administrative impacts. A new block grant program involves substantial risk of creating a new federal bureaucracy; options based on existing programs significantly reduce this risk. The options under consideration by the Working Group offer greater assurance that an emergency assistance program will be limited to the temporary period between the onset of a disruption and adjustment to a post-disruption equilibrium.

3. [Provide] a description of all the federal and state legislative and administrative changes that would be required for the emergency economic response program options under review by the Administration. In this regard, please address the concerns raised above with respect to LIHEAP, and respond to the following questions:

Note: The concerns regarding LIHEAP expressed in Chairman Synar's letter of September 25, 1984 are addressed in the accompanying letter from Secretary Hodel.

(a) Would the Administration seek modifications in existing programs under review before or after a disruption occurs?

The options under consideration by the Working Group contemplate that, prior to the disruption, there would be authorization that would include:

- o the necessary supplements to existing programs for the emergency economic response program;
- o the trigger for implementing the economic response program; and,
- o the automatic termination of the emergency economic response program.

Under these options, at the time of an emergency, when the scope and expected duration are more clearly known, there would be opportunity to seek supplemental appropriations to fund programmatic changes.

(b) What would be the process for seeking such administrative and legislative changes?

Options selected which require statutory changes would be the subject of appropriate legislative proposals submitted to the Congress. See answers to Questions 3(a) and (c).

(c) How long would it take to obtain such modifications?

It is not possible to predict the length of time required to complete legislative action.

(d) How much time would be required before such modifications could be put in place?

It is not possible to provide specific estimates. A few states require specific state legislative action before spending any federal funds. We do not believe the options currently under consideration by the Working Group would involve significant planning or administrative requirements at the federal and state levels.

(e) To what extent would funding for LIHEAP need to be increased for emergency economic assistance?

No final estimate is possible until the scope of the LIHEAP program is settled and the scope, timing, and duration of the interruption are known.

(f) How would the LIHEAP allocation formula have to be changed to accomodate emergency economic response according to the options under review by the Administration?

Any grant program requires the establishment of an allocation system. Options under consideration assume an approach along the following lines:

- o no change in the existing allocation formula for the basic LIHEAP program;
- o allocation of supplemental funding for home heating assistance under the basic LIHEAP allocation formula; and,
- o a new supplemental allocation formula, which would reflect variations among the states in motor fuel costs, to distribute supplemental funding to provide some emergency assistance to offset partially some motor fuel expenses (if LIHEAP became the chosen vehicle for this type of relief).

4. An outline of the schedule by which the Administration intends to propose an economic response program.

See concluding paragraph of Secretary Hodel's accompanying letter to Chairman Synar.

Senator BRADLEY. Those are two major, I think, gaping holes in an emergency preparedness policy, certainly one that purports to be market based. So let's just state that for the record.

But I was very interested in your testimony where you talk about the improvement in our energy situation, and it really has improved. I agree with that. We're arguing that things could be better and we could take more steps, but you talk about improved energy efficiency, reduction of imports, dependence on Persian Gulf has declined, dependence on oil as a source of energy has declined, et cetera.

If you were going to pick the one or two major factors, including, for example, the decontrol of oil, what would you say are the two or three major factors for the dramatic improvement in our oil situation and why that argues prospectively for a kind of confidence?

Mr. BOGGS. That's a pretty broad question. Several years ago I said that our policy ought to be that when you have some type of a difficulty facing you in any area, you would try in general to reduce consumption, increase production, and build up your reserves against an emergency, and essentially we've done all three.

The reduction in consumption has primarily resulted from improved efficiency. Now that we can look back at the 4 years, we see the economy is up quite a bit over 1980, so it's not recession based. It's essentially based on using energy more efficiently from the whole host of largely private decisions that were made. The increases in production have come across the board. Decontrol in oil and gas has helped. Increases in coal production, nuclear power production have helped us to reduce our oil use in utilities very markedly. And we have built up the SPR, which in fact, I think is one of the important things. It is very difficult to point to one or two things.

Senator BRADLEY. You mean there are so many good things?

Mr. BOGGS. There are so many things that each have contributed somewhat. I think too often, both interest groups and analysts have tried to say here is the problem, and nuclear is going to solve it, or solar is going to solve it, or conservation is going to solve it.

And sometimes each industry tries to gear up to solve the whole problem. And what actually happens is each one solves some piece of it.

Senator BRADLEY. But you're basically very positive about the oil environment and what we've done in the country; right?

Mr. BOGGS. Well, I think, as you started out by saying, it's very difficult to look at the results and look at the projections of 5 years ago and not be fairly positive.

Senator BRADLEY. And you think that the market had something to do with that?

Mr. BOGGS. I do.

Senator BRADLEY. So you think decontrol is fairly important; right?

Mr. BOGGS. I do.

Senator BRADLEY. And you think the market sends pretty good signals; right?

Mr. BOGGS. Basically, yes.

Senator BRADLEY. In that case, why do we impede that process with intangible drilling costs and oil depletion allowances?

Mr. BOGGS. Well, I think the question of whether you impede it, how much of an impediment it is, and the proper way to tax mineral commodities is a very complex one that I'm sure the Treasury witnesses and others will be willing to address when we get to tax legislation.

Senator BRADLEY. But wouldn't you argue that it's slightly contrary to everything you've said in the last 5 minutes?

Mr. BOGGS. No. I think the question is what is the proper way to tax any particular economic activity. Whether a taxation of depletable resources should be carried out in one manner or another is one on which tomes have been written. The question of whether it constitutes a subsidy and how it constitutes a subsidy is one that I wasn't prepared to address here, but I'm sure that when the administration——

Senator BRADLEY. But you would draw a distinction between subsidizing the oil industry and subsidizing the poor. I mean one, clearly, you don't want to do; and the other you said was a good idea.

Mr. BOGGS. Well, I think that's not exactly right. In the first place, we do subsidize the poor in an enormous variety of ways.

Senator BRADLEY. But we're talking about energy here.

Mr. BOGGS. Well, the question of whether one particular way of subsidizing the poor is a better way than another is quite a different matter than using the phrase, "You don't want to subsidize the poor."

As I also indicated, whether a particular means of taxation is a subsidy or is not, if you look at the total taxation of the oil industry, a very good case can be made that it, in fact, is taxed at a higher level than other industries.

And I am not here taking either side of that case because I am not either a lead or a very competent tax witness. But I'm just saying that I don't accept that some particular provision makes the whole system a subsidy.

Senator BRADLEY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

We are expecting Senator Murkowski momentarily. He is chairing the Veterans' Affairs Committee, and as soon as he arrives we will have a voting quorum. It would be my intention at that time to ask for a rollcall vote on the nominations which are before us.

Pending that, however——

Senator METZENBAUM. Senator Evans, do you mind? I'm due back. We have Boone Pickens and the whole crowd on mergers and——

Senator EVANS. Give Boone my best. Or give him your best.

No; please go ahead.

Senator METZENBAUM. Mr. Chairman, may I go ahead?

The CHAIRMAN. Yes.

Senator METZENBAUM. Thank you very much, Senator.

The CHAIRMAN. Senator Metzenbaum.

Senator METZENBAUM. Mr. Chairman, this hearing on the reauthorization of EPCA provides us with an excellent opportunity to review two major energy initiatives. It's a good chance to see how far we have come and where we are going.

Unfortunately, it seems hard to generate much interest in energy issues these days. Congress seems to sleepwalk through discussions of crucial energy programs because things are quiet right now, and the administration comes up here and tells us everything is beautiful; don't worry. As a matter of fact, gasoline prices went up about 6 cents a gallon within the last few days, but that isn't catastrophic. That's just a sign in the wind.

Mr. Chairman, I worry. I worry when the administration tells us it's going to stop filling the strategic petroleum reserve and at the same time it sells off our naval petroleum reserve to finance the national debt.

I worried when I saw the the GAO review of results of AST–4 where oil prices went up to $98 a barrel. And I worry now, because I don't see any concrete evidence that the administration has really learned much or changed anything as a result of that experience.

I worry when I see auto companies who are insisting upon rolling back fuel efficiency standards for autos and insisting upon their right to build bigger cars and asking to be relieved from the obligations imposed upon them by current regulations and law.

And I am particularly worried when I see that the Department says that it has a "no-standard" standard for appliances in connection with the efficiency law on appliances that we passed way back in 1976. It just sort of seems to be that nobody really is worried; there's enough oil today; don't get panicky about it; let's let everybody make what they can; let's not put in any conservation measures.

And I remember when I used to sit through hearing after hearing after hearing, where we discussed that there's a finite supply of oil, there's a finite supply of gas, and we had to do this and we had to do that, and I remember President Carter saying that it's a war that we were involved in.

All of a sudden everything's peaceful because there's enough oil. But the fact is, there's still a finite supply of oil, a finite supply of gas.

What I want to know is will we be prepared for the next energy emergency? Will we be prepared if suddenly there's a shutdown of oil coming from the Arab nations? And what are we doing to prepare for that right now?

The Energy Policy and Conservation Act was written to help us in that preparation, and I believe these are the kinds of questions which must be answered before we pass this simple extension of the law.

The CHAIRMAN. Could we have the rollcall?

Senator METZENBAUM. Sure.

The CHAIRMAN. If the Senator will yield, we have a voting quorum. I would appreciate it if the Senator would yield so we can report the nominees now pending before this committee.

[Whereupon, at 11 a.m., the committee recessed to consider other business.]

[Whereupon, at 11:02 a.m., the committee was reconvened.]

The CHAIRMAN. Thanks, Senator Metzenbaum, for allowing us to interrupt you in order to conduct that roll call.

Senator METZENBAUM. It was a good place to break because up to this point I had merely discussed the concerns I have with respect to the energy needs of this country.

Now I wish to address myself to a particular concern that I have with the antitrust exemptions that are contained in title II of this law. I've always had serious doubts about the broad and ambiguous defenses which shielded the major oil companies from antitrust and breach of contract prosecutions.

But now I have an even greater concern because recent Department of Energy drafts of a second plan of action raise profoundly disturbing questions about the scope of antitrust and breach of contract defenses this administration plans to extend to oil companies in times of an international crisis.

The latest draft plan would extend these defenses to include normal commercial transactions, so-called type 1 activity. As long as a company claims it is trying to alleviate the shortage problem, it would enjoy antitrust and breach of contract defenses.

The potential for abuse under such a situation is obvious. As I understand it, even the Department of Energy is aware of a number of unresolved issues concerning this proposal.

Therefore, I am curious to find out why it is still in the draft plan of action.

Mr. Chairman, you know I've always been uneasy about the antitrust and breach of contract exemptions in this law. Discovering what is contained in the draft of the second plan of action only increases my unease. I want to tell you now that as long as it is possible for the Department of Energy to provide such sweeping exemptions under this law, I am not inclined to support a reauthorization which lasts any longer than one year.

Before I even agree to that, I think we should have another hearing to look more closely at this plan of action that the Department of Energy is considering, and I believe that the members of the committee, and I for one particularly, want to see the plan of action and the communications, the correspondence and all of the memos from the Justice Department, the Federal Trade Commission, and the Department of Energy concerning this new plan of action which would broaden the exemptions under the antitrust law for oil companies.

I am not looking for confrontation or controversy, but I have certainly expressed to you and to the Members of the Senate over a long period of time my continuing concern about the exemptions that presently are in the law.

This plan of action would go far further than that. I believe that it would be inappropriate for us to attempt to move on this law until the members of this committee are apprised as to what the actual facts are, and I hope the chairman will support me in seeing to it that I or any other member of the committee who wants that information will have it made available from Justice, DOE, and FTC.

The CHAIRMAN. Senator Metzenbaum, I am indeed aware of your concern about this issue. We've discussed it a number of times, both on the record and off the record. I'm not at all surprised that you would continue to have that concern. I will share with you the effort to get the appropriate information for this committee, and

for members of the committee, and for the Senate as a whole, before we act upon this legislation.

Senator METZENBAUM. I appreciate the chairman's response, and I want to emphasize to the chairman, we are not talking about yesteryear's problems; we are talking about a far broader expansion of the exemption, and that's of particular concern. I'm not suggesting at this moment we eliminate that which exists. I just don't want to extend it anything beyond what exists.

The CHAIRMAN. I understand your concern.

Senator METZENBAUM. Thank you, Mr. Chairman.

The CHAIRMAN. Surely.

[Subsequent to the hearing the committee received the following correspondence from the Department of Energy, the Department of Justice, and the Federal Trade Commission:]

Department of Energy
Washington, DC 20585

May 7, 1985

Honorable James A. McClure
Chairman, Committee on Energy
and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I have been asked to respond to your request for copies of all drafts since May 1981 of a new "plan of action" to implement the Agreement on an International Energy Program (IEP), and of certain other documents with respect thereto which are within the possession of the Department of Energy. This material has been delivered to the Committee's Chief Counsel, as you requested.

It may be helpful to provide a short background discussion of the draft plan of action, which remains in the process of development, and after completion is subject to approval by the Secretary of Energy and the Attorney General.

As you know, section 252 of the Energy Policy and Conservation Act (EPCA) makes available a limited antitrust defense under U.S. law with respect to actions taken by oil companies to implement the information and allocation provisions of the IEP, provided that such actions are described in a voluntary agreement or plan of action. The purpose of the subject draft plan of action is to describe the types of actions by U.S. oil company participants in the existing Voluntary Agreement and Plan of Action to Implement the International Energy Program (Voluntary Agreement), approved in 1976, for which antitrust protection may be available in the event that the oil sharing system provided for in the IEP should be activated during an oil supply emergency; this antitrust protection of course would not be available until after a triggering of the IEP oil sharing system during an emergency.

Section 252, and the existing Voluntary Agreement, seem to contemplate that plans of action will be developed by the oil companies which participate in the Voluntary Agreement. Before a plan of action can be made effective, it must be approved by the U.S. Government: EPCA section 252(d) requires approval by the Attorney General, after consultation with the Federal Trade Commission, and the Voluntary Agreement requires approval by the Secretary of Energy. The

existing Voluntary Agreement contains a plan of action describing company actions which may be taken when IEP oil sharing has been triggered. However, the provisions of that plan of action understandably are very broad and general, since it was adopted in 1976 while the IEP sharing system was in an early stage of development, whereas EPCA section 252(d)(3) calls for a plan of action "as specific in its description of proposed substantive actions as is reasonable in light of known circumstances." For that reason, efforts have been under way for some time to prepare a new draft plan of action setting out in much more precise detail those activities in which industry would engage while implementing IEP emergency oil sharing, and to which the limited antitrust defense would apply.

Although responsibility for the development of a proposed plan of action appears to be with the oil company participants in the Voluntary Agreement (but subject to U.S. Government approval), the participating companies several years ago indicated their desire that the Executive Branch take the lead in drafting a new plan of action. Accordingly, until recently staff of the Department of Energy, in cooperation with staff of the Departments of Justice and State and the Federal Trade Commission, performed this function, preparing draft texts for consideration by the participating companies; the first two such drafts were published in the Federal Register on May 8, 1981, and October 28, 1983, respectively, to solicit public comment. Recently, the companies have elected to assume greater responsibility for drafting their proposed plan of action. A total of five drafts thus far have been considered by the Voluntary Agreement participants. The latest draft plan of action, consisting of a proposed text prepared by representatives of participating companies, was reviewed on January 14-15, 1985, at a London meeting of Subcommittee C of the Industry Advisory Board of the International Energy Agency (IEA), which was attended by staff of the concerned U.S. Government agencies. However, that meeting did not succeed in resolving all of the issues involved in finalizing a new plan of action, and further changes in the most recent draft will be necessary.

Senator Metzenbaum expressed concern that coverage under recent drafts of the new plan of action could extend to some of what, in IEA parlance, are known as "Type 1" oil supply transactions. "Type 1" refers essentially to activities by the IEA's Reporting Companies to rearrange their oil supply systems in response to an emergency that has triggered the IEP sharing system, without submitting to the IEA "voluntary offers" to supply or to receive oil. The October 28, 1983, Federal Register notice with respect to the plan of action explained why the potential operation of the IEP sharing

system during an emergency gives rise to a concern over the need for some limited form of "Type 1" antitrust coverage due to the influence which the IEA is expected to exert on certain "Type 1" transactions, but it also pointed out that any such coverage should be selective rather than applicable to normal business activity which the participating oil companies would have undertaken in any event. This is a difficult and complex matter requiring delicate balancing of IEA system requirements with the requirements of U.S. antitrust law. The Federal Register notice stated that while no fully satisfactory method had yet been devised for distinguishing between those "Type 1" transactions which should and those which should not enjoy antitrust protection, the issue nonetheless was deserving of further consideration; comments therefore were requested on how a workable system of "Type 1" antitrust protection might be structured. 48 F.R. 49908. Based upon subsequent discussion and study of the issue, an attempt was commenced to prepare and negotiate with the participating companies a draft plan of action which would convey potential antitrust protection, on a conditional basis, only for those selective "Type 1" transactions which were undertaken for and put at risk by the operation of the IEP emergency sharing system.

We do not yet know whether such narrowly constructed, carefully monitored, "Type 1" coverage can be developed and negotiated with the participating oil companies. It is too soon to evaluate our success in achieving this goal, for we have not yet arrived at the text of a plan of action that would be acceptable to the participating companies, and which staff of the involved U.S. Government agencies are able to recommend to their agencies; thus, we remain in the process of actively negotiating the plan of action. Indeed, various provisions of the draft plan of action which would bear directly upon the scope of "Type 1" coverage and upon the effectiveness of antitrust monitoring of such transactions, are among those currently receiving the most intensive attention. Moreover, even after the participating U.S. oil companies have indicated their approval of a draft, based on negotiations with staff of the involved U.S. Government agencies, it will remain for the Secretary of Energy and the Attorney General, after consulting with the Federal Trade Commission and the Department of State, to determine whether that draft is acceptable to the Government.

Staff of the Department of Energy are working closely with staffs of the Antitrust Division of the Department of Justice and of the Federal Trade Commission to assure that any new plan of action will be appropriately limited in scope and contain adequate antitrust safeguards. I believe the documents we have provided to the Committee make clear the careful, conscientious manner in which this task is being

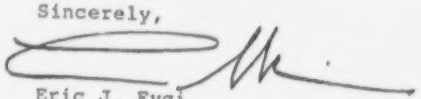
pursued. But the outcome is not yet determined, and I want to assure you that this office will not recommend that the Secretary of Energy give his approval to a plan of action which lacks adequate antitrust safeguards, or extends antitrust coverage in excess of that needed for the effective functioning of the IEP's emergency oil sharing system.

While I know you are cognizant of the fact, I am obliged to call to your attention that under Executive Order 12356, information received from the IEA must be given a degree of security protection at least equivalent to that required by the IEA. In particular, the IEA's Emergency Management Manual, which is quoted in some of the pertinent documents, was determined by the Department of State in 1976 to require protection equivalent to that accorded confidential U.S. national security information.

In addition, certain of the internal DOE or Administration documents bear upon U.S. Government negotiating positions with respect to the plan of action. Since, as pointed out above, these negotiations remain active at the present time, we ask that such documents be protected from further disclosure by the Committee until the negotiations have been brought to a conclusion and the participating U.S. oil companies have indicated the acceptability to them of a new plan of action. As you will appreciate, the accomplishment of this task is vital to the effectiveness of the IEA's emergency sharing system, and it is our intention that companies indicate the acceptability to them of a draft plan of action before decisions are made by the Secretary of Energy and the Attorney General, whether to approve a proposed new plan of action. There will be ample opportunity at that time to evaluate the proposed plan of action, and to weigh antitrust concerns against IEA energy policy issues.

Please let us know if we can be of further assistance.

Sincerely,



Eric J. Fygi
Acting General Counsel

cc:
Honorable J. Bennett Johnston
Ranking Minority Member
Committee on Energy and
Natural Resources
United States Senate
Washington, D.C. 20510

U.S. Department of Justice

Office of Legislative and Intergovernmental Affairs

Office of the Assistant Attorney General Washington, D.C. 20530

May 14, 1985

Honorable James A. McClure
Chairman
Committee on Energy and
Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This letter responds to your letters of May 7 and 10, 1985, to the Attorney General with regard to the development of the Second Plan of Action to implement the International Energy Program (IEP). You stated that at the May 1, 1985, hearing before your Committee on the extension of the Energy Policy and Conservation Act (EPCA), 1/ Senator Metzenbaum had raised questions concerning preparation of the Plan. As a result of interest in this matter, you requested that the Department provide the Committee with copies of documents dated from June 27, 1978 to the present including all drafts of the Plan of Action, all correspondence with the Department of Energy and any other government agencies or with members of industry, and any internal Department of Justice memoranda concerning the draft Plan.

Before specifically discussing your request, it may be helpful briefly to describe the Department's role in development of the Plan. Under section 252 of EPCA, 42 U.S.C. § 6272, the Department of Justice, along with the Federal Trade Commission, is required to participate from the beginning in the development of the Plan of Action. 2/ As you know, Section 252 of EPCA contains the antitrust and breach of contract defenses, EPCA, 42 U.S.C. § 6272(f) and (k), that apply to U.S. oil company activities and transactions specified in the Plan of Action developed under EPCA to implement the IEP. 3/ The

---

1/ 42 U.S.C. § 6201 et seq.

2/ 42 U.S.C. § 6272(d)(1).

3/ 42 U.S.C. § 6272(a).

IEP Agreement creates an international emergency oil sharing program coordinated by the International Energy Agency (IEA). The IEA has developed an allocation mechanism for the sharing of oil among IEP member countries in times of emergency.

The antitrust and breach of contract defenses set forth in EPCA are available for activities specified in a Plan of Action that has been approved by the Attorney General 4/ and undertaken after a Presidential finding that an international energy supply emergency requires oil allocation. 5/ A company seeking to invoke either defense must comply with the reporting and recordkeeping requirements of EPCA 6/ and prove, if challenged on antitrust grounds, that the action was not taken with the intent or purpose to injure competition. 7/

Neither the 1976 Voluntary Agreement and Plan of Action to implement the IEP nor subsequent 1981 and 1983 drafts of a new Plan of Action 8/ provided for either antitrust or breach of contract defenses for the international supply transactions by which companies voluntarily rearrange their world-wide supply systems -- independently of any IEA requests -- in response to an emergency. No defenses were provided because these so-called "Type 1" activities were considered normal business transactions unrelated to the IEA allocation system.

Unlike Type 1 transactions, other transactions in an emergency will take place through "voluntary offers" of oil submitted to the IEA by Reporting Companies in response to publication of IEA country allocation rights and allocation obligations. These "voluntary offers" will be matched by the IEA subject to the approval of the IEA Allocation Coordinator. The antitrust and breach of contract defenses have always been available for these other transactions -- so-called "Type 2" transactions -- in prior draft Plans.

Type 1 and Type 2 transactions are alike in that both include sales and exchanges of oil with affiliated companies and also with unaffilitated companies. The experience of four

---

4/ 42 U.S.C. § 6272(f) and (k).

5/ 42 U.S.C. § 6272(1)(1); Voluntary Agreement and Plan of Action to Implement the International Energy Program § 6(a)(1).

6/ 42 U.S.C. § 6272(c)(3).

7/ 42 U.S.C. § 6272(f)(1).

8/ 46 Fed. Reg. 26026 (May 8, 1981) and 46 Fed. Reg. 49906 (Oct. 28, 1983).

tests of the Allocation System has shown that independent commercial activities of the oil companies will not be easily distinguished from transactions related to the IEA sharing system and that some Type 1 activity will take place in response to IEA calculated supply rights.

Dr. H.A. Merklein, former Assistant Secretary of Energy for International Affairs and Energy Emergencies, by letter of May 15, 1984, requested that the Antitrust Division concur in the inclusion of the antitrust defense in the Plan of Action for selected Type 1 oil supply transactions. He based his request on the fact that some commercial activity in a crisis could not easily be segregated from other transactions undertaken in response to the IEA oil allocation plan. In a second letter dated July 10, 1984, Assistant Secretary Merklein requested that the Antitrust Division also concur in the inclusion of the breach of contract defense in the Plan of Action for selected Type 1 oil supply transactions. The Department of Energy, in its letters of May and July 1984, represented to the Division that without the antitrust and breach of contract defenses for selected Type 1 activity, oil companies would be unlikely to take steps to reallocate supplies independently of the IEA mechanism. According to the Assistant Secretary, the oil companies would wait for requests from the IEA for voluntary offers in order to avoid possible exposure to antitrust and breach of contract legal challenge, thereby converting Type 1 transactions into Type 2 transactions in order to gain the defenses. The Department of Energy also represented to the Antitrust Division that because of the substantial cost of the recordkeeping and reporting obligations that are entailed by such invocation, the oil companies would not invoke the Type 1 transaction defenses for vast numbers of transactions.

After carefully reviewing these requests, the Antitrust Division agreed to concur in the extension of both the antitrust and breach of contract defenses to selected Type 1 oil supply transactions. The Division based its concurrence upon both the factual representations made by the Department of Energy and the limited scope and duration of the defenses, as explained in detail in two letters (dated June 13 and October 29, 1984) from former Assistant Attorney General J. Paul McGrath to Assistant Secretary Merklein. Essentially the Division agreed that, if DOE's representations that the companies would not engage in market transactions but would instead rely on the IEA mechanism are correct, extension of the defenses to Type 1 activities might have the desirable effect of facilitating market-oriented transactions. The Antitrust Division concluded that increased risks of collusive behavior, if any, created by extension of the defenses would be offset by the benefits to the efficient operation of the voluntary reallocation process, including the possible facilitation of more market-oriented Type 1 transactions.

We understand that concern has been expressed that recent drafts of the Plan provide that these defenses would be available for all oil transactions in a crisis, as long as they were made to facilitate implementation of the IEP oil sharing plan. The defenses will not, however, apply to all oil transactions that take place during a declared emergency. The reluctance of companies to take on the recording requirements may well limit the number of transactions that are covered by the defenses. This is because the defenses will apply only to those transactions that are undertaken by the companies to facilitate implementation of the IEA emergency allocation process and that are recorded and reported to the U.S. government as required by EPCA and the Plan of Action. 9/ The defenses are also limited, as outlined in the Division's June 1984 letter, in that the Plan of Action, and thereby the defenses made available pursuant to the Plan, will become effective only upon a finding by the President of an international energy supply emergency. The duration of such an emergency is limited by statute to 90 days, except upon renewed Presidential finding(s) that additional 90-day periods are appropriate. The antitrust defense explicitly is inapplicable to conduct whose purpose is to injure competition. Moreover, the Attorney General may, at any time, prospectively revoke his approval -- hence both defenses -- for activities under the Plan.

The Antitrust Division currently is discussing with the Department of Energy, the Federal Trade Commission, and the oil companies what recordkeeping and reporting of Type 1 activity by a company will be required in order for it to meet recording requirements in EPCA and the Plan of Action and to receive the benefits of antitrust and breach of contract defenses. The recordkeeping and reporting requirements are important because, as Assistant Attorney General McGrath stated in his June 13, 1984 letter, the Antitrust Division will face the task of evaluating the records kept upon invocation of the defense. The requirements must be such that the Antitrust Division will be able adequately to perform its monitoring role. Although no one can predict what transactions will be undertaken in response to any declared emergency, the recordkeeping and reporting requirements undoubtedly will have an effect on the number of transactions the oil companies will seek to have brought under the umbrella of the defenses.

The Antitrust Division continues to believe, however, that it would be appropriate to extend the antitrust and breach of contract defenses to selected Type 1 activities for the reasons outlined above and in its letters of June and October 1984.

9/ 42 U.S.C. § 6272(c)(3).

Final approval by the Assistant Attorney General of inclusion of selected Type 1 activites in the Second Plan of Action, however, will be given only after the resolution of the Plan's provisions requiring recordkeeping and reporting by oil companies invoking the defenses for selected Type 1 transactions.

With respect to your request for documents in our possession related to the development of the Second Plan of Action, we provided Mr. Gary Ellsworth, Chief Counsel for the Committee, on May 10, 1985, with the documents described in the enclosed list. Included were the two exchanges of letters between the Department of Energy and the Antitrust Division, discussed above, which fully explain why the Antitrust Division decided that extension of the defenses would be appropriate. We also provided the Committee with copies of other correspondence relating to the issue of the application of the defenses to selected Type 1 transactions and the development of the Plan. This correspondence includes written communications involving the Department of Energy, Antitrust Division, Federal Trade Commmssion, Department of State, the IEA Legal Advisor, and industry representatives, and documents the consideration given the development of the Plan of Action by the U.S. government, industry members, and the IEA Secretariat. As indicated in the correspondence, public comments were received from both the IEA Secretariat and Reporting Companies on the draft Plan of Action published October 28, 1983, and both the IEA Secretariat and the Reporting Companies argued that the plan should provide antitrust protection for at least some Type 1 supply transactions.

We have also provided numerous drafts of the Draft Second Plan of Action, as well as comments on the Plan (all of which are listed in the enclosure) made by the IEA Secretariat and participating United States oil companies. Many of these comments address the need for antitrust coverage of selected Type 1 transactions. As noted above, the first two drafts were published in the Federal Register in May 1981 and October 1983, respectively, for public comment. The fourth draft of the Plan was reviewed by oil company voluntary agreement participants at meetings of an IEA industry group in December 1984. A fifth draft was reviewed at meetings in January 1985. We also have identified for background purposes nine public reports and several studies and published articles that are related to the international oil market, spot markets, and United States preparedness for oil supply disruptions. We will provide these as soon as we can obtain copies of them. A small number of additional documents that come within the timeframe and scope of your request will also be provided as soon as they can be identified and duplicated.

Some of the documents we have provided quote from the Emergency Management Manual ("EMM"), a document developed by the IEA that describes the procedures for activation of the emergency allocation program. As you may be aware, Executive Order No. 12356 provides that information received from the IEA should be given a degree of security protection equal to that required by the IEA. The IEA has classified the EMM "Confidential," and the Department of State has determined that the EMM should be treated in the same manner as material classified as "Confidential" by the U.S. government. We have, therefore, excised portions of these documents that summarize or quote from the EMM. If you determine that the Committee staff needs to read the excised passages in order to understand the development of the draft Second Plan of Action, your staff should contact Yolanda Branche, Attorney Advisor, Office of Legislative and Intergovernmental Affairs, at 633-5310. She will arrange to allow government employees with the requisite clearances to review the passages.

The documents we are providing should fully inform the Committee concerning the United States' involvement in the IEP and the Department's position on the antitrust and breach of contract defenses. We assume, therefore, that the Committee has no need for the only other documents coming within the scope of your request. Those documents consist of wholly internal, deliberative and predecisional memoranda and notes, the disclosure of which could have a serious impact on our ability to enforce the antitrust laws and yet would not add to the Committee's understanding of the issues raised in your letter.

Please let us know if we can be of further assistance to the Committee in its consideration of United States involvement in the IEP.

Sincerely,

Phillip D. Brady
Acting Assistant Attorney General

Enclosures

By:

Michael W. Dolan
Deputy Assistant Attorney General
Office of Legislative and
Intergovernmental Affairs

FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

OFFICE OF
THE CHAIRMAN

May 15, 1985

The Honorable James A. McClure
Chairman
Committee on Energy and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This is in response to your letter, dated May 7, 1985, on behalf of the Committee on Energy and Natural Resources, requesting access to Commission files concerning the draft "Second Plan of Action to Implement the International Energy Program" (drafts of which are referred to in this letter as "draft Plans of Action"). Your request has been granted because it is an official request of a Congressional Committee. 5 U.S.C. § 552(c).

The responsive documents consist of internal FTC memoranda, correspondence, and draft Plans of Action given to the FTC by the Department of Justice and the Department of Energy and other materials, including transcripts and correspondence, relating to nonpublic meetings attended by representatives of oil companies, the Department of Justice, the Department of Energy, the General Accounting Office, the Department of State, the International Energy Agency, and the Federal Trade Commission.

The Commission has been advised by the Department of State that, under 22 C.F.R. § 9a.4(b) (1985), materials related to meetings discussing the draft Plans of Action, including the transcripts of such meetings, are reviewed by an officer of the Department of State with classifying authority to determine whether such information or material should be classified pursuant to Executive Order. See generally, 42 U.S.C. §§ 6272(c)(1)(B)(3) and (d)(2). The transcripts responsive to this request have not yet been reviewed by the Department of State. Accordingly, because the transcripts and material derived therefrom may contain classified information, exempt from mandatory public disclosure under FOIA Exemption 1, the Commission requests that your Committee staff keep this information confidential. To the extent that any of the transcripts or other documents made available to your Committee quote or summarize the Emergency Management Manual this information is exempt from public disclosure under FOIA Exemption 1, by virtue of its classified status under Executive Order 11652.

The responsive documents also include internal memoranda written by the Commission's staff and correspondence in their files. The internal FTC materials and interagency correspondence are predecisional and deliberative and are, therefore, exempt from mandatory public disclosure under FOIA Exemption 5. NLRB v. Sears, Roebuck & Co., 421 U.S. 132 (1975); Russell v. USAF, 682 F.2d 1045 (D.C. Cir. 1982).

Notwithstanding the exempt status under the FOIA of the documents responsive to your request, the Commission has determined to grant your request as discussed above. Because information contained in the material responsive to your request would not be available to the public under the FOIA, the Commission requests that no further disclosure of that material be made. Mr. Ronald B. Rowe, Assistant Director for General Litigation (Petroleum) in the Bureau of Competition, will provide your Committee staff with access to the requested materials. He can be contacted at 724-1441.

The Commission estimates that the response to this request consumed approximately 27 hours of staff time and cost approximately $540.00.

By direction of the Commission.

James C. Miller III
Chairman

Senator METZENBAUM. Thank you, Senator Evans. I appreciate it.

Senator EVANS. Certainly.

Given the administration's disinclination to intervene in the premarkets on petroleum product, why do we then support the international programs? Why not allow the international free market to work and during times of shortage assume that price itself will reshift the balance of oil supplies?

Mr. BOGGS. Well, Senator, let me make a brief response, and I think perhaps Mr. Wendt can talk more to the direct international aspects.

I think one thing that's very important to recognize is that as a result of policy changes made in the IEA within the last 3 years, it is now clear that the transactions to be made under any type of sharing arrangement would be at market prices. At least to me, and I think to our energy policy, that makes a very substantial difference.

The concerns that Senator Nickles expresses, that the IEA could be used in effect to provide cheap oil by allocating it at the low market prices, away from one country to another country, I think would raise exactly the concerns that you have indicated. I, from my point of view, from the domestic energy side, I think that has been the key change to where I think the ultimate outcome would be very likely to be quite similar to what a pure market response would be.

But I am not sure that all of our allies would have that same view, and I know that there are quite a number of things in the system that provide comfort as well as coordination, which I think Mr. Wendt can go into more fully. I do believe that it's important to understand that these transactions would not be at subsidized or controlled prices.

Mr. WENDT. Senator, Mr. Boggs has covered the issues quite well. The Emergency Management Manual of the IEA, which details the methods and procedures of the allocation system, was amended not long ago—largely at U.S. initiative—to ensure that any oil reallocated in the event of a supply disruption would be priced on the basis of comparable commercial transactions, which is another way of saying essentially market prices. I do not think that our companies would look benignly on any scheme that required them to suffer losses in the course of enabling the United States to fulfill obligations under the system.

I would like to repeat what I said earlier: Our first line of defense is the market and injecting more stocks into the supply system in the event of a disruption. We view the sharing scheme as an expression of our concern that other countries not be found bereft of oil in a major supply disruption. We could not be indifferent to that situation.

We would not want our IEA partners to be subject to political pressures in order to gain access to oil. We also think that our participation in the IEA system discourages panic buying, unjustified by what is really going on in the market. That kind of buying could needlessly drive up the price, which would in turn inflict damage on the economies of all the member countries of the IEA.

In summary, the approach we have adopted is a market-based approach and will effectively safeguard our interests in a supply disruption.

Senator EVANS. Having said all that, you don't believe you'd end up at the same point anyhow, with the international market working and people bidding for oil and, presumably at some price, our willingness to sell oil out of reserves?

Mr. WENDT. As I've tried to indicate in my testimony and in my other remarks, we see benefits to encouraging the industrialized countries to try to work together in a supply disruption.

If it were left strictly to the market, with each country on its own, it is true that at some level of prices, supply and demand would balance and the market would clear. That level might well be much higher than we would consider healthy for our economies. We think that the solidarity, the efforts at coordination, have served us well over the years. In the last major supply disruption, (1979–80), the effort through the IEA was quite successful. Countries did avoid rushing to the spot market trying to get oil on their own. There was a coordinated effort that I think might not have taken place in the absence of the IEA, in the absence of an institutional framework that permits these countries to sit down together and try to adopt a sensible approach. If we did not have this institutional framework, we would probably have to invent something comparable.

Mr. BOGGS. Senator, let me make a distinction, I think. I, at least, would be willing to say that I think in the absence of the operation of the oil sharing system, the market would probably lead to similar outcomes. In fact, as Mr. Wendt indicated earlier, it may well be that the oil sharing system would not even need to be triggered.

On the other hand, there are policies and practices arising under the IEA such as stock build, coordinated stock draw, that could ameliorate the situation. So I think we ought to distinguish as to those things which we think by coordinated international action would ameliorate the situation, as opposed to whether the oil sharing system itself in its workings would lead to something very much different from the market.

Senator EVANS. That's what I'm trying to distinguish, his somewhat different view of the international market as opposed to the domestic market, where I understand that on the domestic side you'd just as soon let the market handle the whole problem, but on the international side there is some validity apparently to cooperation and stock building and other sort of extramarket forces.

Aren't there some of the same things internally that——

Mr. BOGGS. That's the role that SPR plays in this country. Here we have one Government which has financed and built the very large strategic petroleum reserve. When we're dealing with a number of different countries, we have to have some diplomatic means of trying to work together.

We don't have one head that can make one decision, as the President can with the SPR.

Senator EVANS. Let me turn to another element of this same thing. In looking at the future, I'm not sure I'm as optimistic as you were in your testimony about oil supplies, the IEA middle eco-

nomic growth scenario, and who knows whether that's going to be the actual one or not. But at least it's picking out of the middle. The middle world oil price case indicates that in the next 10 years from 1985 to 1995, our domestic production will be down 15 percent, our use will be up 14 percent, and our imports will be up 73 percent.

So we're going to be in the next 10 years, based on that set of assumptions, of course, significantly more exposed to imports than we are today.

If that's the case and if that's a reasonable expection of the future, whether it's 73 percent or some other figure, they all seem to point toward a significant increase in import dependence, do you believe that it's useful to attempt to minimize that by restricting or encouraging the restriction of use through conservation or other methods?

Mr. BOGGS. Well, in the first place, I think use is being restricted by conservation driven by the marketplace. We see it in the statistics.

Senator EVANS. The expectations over the next 10 years are for a significant increase in use.

Mr. BOGGS. Well, you may question whether any particular expectation is correct; these models have shifted very radically in both directions over the past few years.

Senator EVANS. What's your best expectation and what's the administration planning on for the next 10 years?

Mr. BOGGS. Well, we have never taken the position that we have a result. As you know, the IEA is policy independent and their views do not necessarily represent those of the Department and the administration.

I think what we have tried to say is that we believe that by continuing to free up America's productive capacity, by allowing people to make sensible conservation and efficiency end-use decisions, that we're most likely to respond to those changes that occur in the most effective way.

We've indicated that under current circumstances, we think the strategic petroleum reserve has reached a level that under current budgetary circumstances an increased fill would not be warranted. We've also indicated that should those circumstances change, that would always be subject to reevaluation.

Senator EVANS. I understand very well the difficulty and the danger of trying to project into the future with any kind of single line or point prediction. We assiduously stayed away from that in our own electric power planning in the Pacific Northwest.

Could you get for me or does the administration have the equivalent of what we did, a band trying to measure the margins; if you can't measure or predict what is most likely, at least it seems to me there is a better chance to have a pretty good idea of what's the minimum growth rate or the minimum supply necessary 10 years from now and the maximum. And within that band, we had better be prepared to respond in some fashion.

Mr. BOGGS. Well, there certainly is some validity to that. The IEA projections, as you know, have a minimum band that is right about where we are now and a maximum band that is much, much larger, associated with a very low oil price.

We will be submitting later this year, as required by Congress, a national energy plan which will also have some numbers in it. Obviously, we have taken the policy that we do not try to lay out a specific future and say that we're going to enact laws and programs to ensure that we have 20 percent solar and 14 percent nuclear and 38 percent coal, or whatever, which obviously does make our discussion a little vaguer than it was in the past. But really, it is more realistic, because in the past we have seen plans laid out that were going to get us to a specific place, and then we found that that just wasn't the way the world worked.

We believe that America has resources across the board in oil and gas and nuclear and coal and renewables, that we have the ability to use energy more efficiently that can respond to a wide range of circumstances. We believe if we try to put in place programs that will say we want to have this much conservation regardless of the cost, or that we want to have this much production regardless of the cost, that we will not have as good a result as we can with present policies.

Senator EVANS. Do you include in that any use of taxation, either gasoline or petroleum import taxation, as an incentive, a price incentive, a market incentive if you will, to conserve? You don't have to get into detailed programs that way.

Mr. BOGGS. We have not supported such programs in the past. You are certainly correct that that type of a tax is the broadest based approach. I would not call it a market response. It is an extra-market response because you're levying additional costs upon the citizens and upon the economic system in hopes that it will bring you some benefits in the future.

In one sense, with such taxes you are creating some of the indicia of an energy crisis today, that is, higher prices and restricted supplies, in order to prevent, you believe, those indicia in the future. And thus far, every time that has been examined, the administration has reached the conclusion that the better course is to allow the citizens to reap the benefits of the pricing that has come about through the economic system.

Senator EVANS. Look for the life jacket when the flood comes?

Mr. BOGGS. No. I think both that we in the Government, through the SPR, have provided quite a large life jacket and have also, by going toward a system where we believe the economic signals exist, where the prospect for future gain exists, that both producers and consumers, as they think the flood is coming, they have many, many ways to make their own preparations—by production decisions, by consumption decisions.

The kind of insulation, I'm sure, that a lot of people are putting in their homes may not be strictly cost effective in today's dollars, but if they have the notion—which is certainly not necessarily unfounded—that prices will rise, whether it's oil or electricity, then they're making a wise decision for the future.

Senator EVANS. Do you think the automobile efficiency or fuel efficiency standards that you established 10 years ago or so were an appropriate intrusion into the marketplace?

Mr. BOGGS. Well, the position on the CAFE standards, I don't know if we've come to a definite conclusion on it. I know that the DOT has some administrative activities before them that they'll

have to decide under current standards. I have not—conversations that I've been in, I've not been aware that we've come to a conclusion on any changes in the CAFE standards.

Senator EVANS. I'm not even talking about changes. Does the Department have a view as to whether the standards we have had for the last 10 years have been an appropriate intrusion—I am sure you would agree that they are an intrusion into the marketplace—is it an appropriate intrusion? Has it had beneficial effects? Or was it a bad idea in the first place?

Mr. BOGGS. Well, Senator, I don't know that there has been a departmental position on that.

Senator EVANS. Do you have a personal feeling on it?

Mr. BOGGS. I have heard it stated by others and it would be my view that I think it would be unlikely that this administration would have proposed such standards were they not in existence.

Senator EVANS. Do you think they had anything to do at all with the increased fuel efficiencies which we've had in our current generation of automobiles?

Mr. BOGGS. Well, there are a number of different studies and articles on that. It would be my personal opinion that the standards probably did not have a great deal of effect on the level of automobile efficiency that we have today. They probably helped the American automobile industry at the period immediately after 1979. They probably hurt it both immediately before 1979 and around now.

But that's my opinion from having read a number of studies. There are a number of studies that go in different directions. I think it's pretty clear it did help the American industry at that immediate period after 1979.

Senator EVANS. Probably saved their fanny.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

I cannot help but express some concern that oftentimes we make the mistake of simply extrapolating the most recent experience into the future and assuming that those trend lines will remain at the same position, and that magnifies into gross error. Over a long period of time if the trend isn't exactly on, it multiplies and becomes a geometric error.

But I notice, as everyone else does, that indeed consumption is down in the United States and imports are down. And yet recent trends would indicate that the imports are rising both in absolute terms and in percentage of total consumption.

We haven't had any major oil find in this country since Prudhoe Bay, or with the exception of Prudhoe Bay. Much of the oil discoveries that have occurred in the decade of the 1970's and so far in the 1980's have been the relatively easier prospects of reworking old fields, or things of that nature. I believe that's correct, is it not, Mr. Boggs?

Mr. BOGGS. There has certainly been nothing the size of Prudhoe. Certainly some of the offshore California finds are starting to aggregate to a pretty healthy amount, but certainly nothing the size of Prudhoe.

The CHAIRMAN. And we have restrictions enacted by Congress with respect to exploration offshore?

Mr. BOGGS. Absolutely right, Senator.

The CHAIRMAN. And exploration onshore of many of the public land areas. The drilling rates are way down. The price signals that the market has given to the oil companies, plus perhaps the assault oil companies have been under financially, has reduced drilling rates. Whatever the reason may be, drilling rates are down dramatically.

If I recall correctly, somewhere around 35 or 36 percent of our demand was being met by imports in 1973. We're back above 30 percent now.

Mr. BOGGS. Senator, I'd be happy to provide some details for the record. I think that it is not accurate that when you look at net imports, that is, you adjust for the fact that we export a fair amount of product, and when you look at stock changes, basically our import dependence level has been flat at about 28 percent for about the last 2½ years.

It's important to adjust for stock changes because, for example, the last 2 or 3 months, we've been drawing stocks very heavily and our import level has only been about 20 percent, but I wouldn't want to claim that low a number because we've been drawing down stocks. Comparably, when it's going the other way, you have to look at that as well.

So that I think a fair representation is that there really has not been much of an uptrend, and I could provide some numerical details.

The CHAIRMAN. If you would do so, we'll make it part of the record.

Mr. BOGGS. On the drilling rates I think it's important to note that the number of rigs drilling is down very substantially, but the number of wells being drilled has stayed much closer to the peak; that is, each rig drilling is now drilling more wells, and we can provide some specific numbers on that as well.

The CHAIRMAN. And if you would also provide specific numbers with respect to total U.S. production, because even though in percentage terms we may be higher in 1984, in absolute terms our production is lower than it was in 1973.

Mr. BOGGS. Probably in 1973 it was higher—1984 was the highest since 1974. So there has been a small upturn after a period of downturn, but it's still lower than a few years in the early 1970's. But we can provide specific numbers on that.

[The information requested follows:]

In discussing U.S. import dependence, the proper measure is net imports, stock-adjusted, without counting imports for the Strategic Petroleum Reserve (SPR). On that basis, there is no indication that imports are rising significantly as a percentage of total domestic consumption or in absolute terms.

Figures 1 and 2 show net stock-adjusted imports of crude oil and petroleum products (less SPR imports) as a percentage of domestic petroleum product supplied since 1973. For the 12 months ending February 1985, average net stock-adjusted imports were 28.0 percent of total product supplied -- well below the 43.9 percent peak reached in August-September 1977 and significantly below the 32.4 percent level for the 12 months ending December 1973. Net stock-adjusted imports have remained at about 28 percent of total domestic product supplied for the past 26 months, on a 12-month rolling average basis.

Net stock-adjusted U.S. imports rose only 1 percent from 1983 to 1984. Since domestic production of oil and natural gas liquids increased by 136,000 barrels per day last year, net imports as a percentage of U.S. consumption actually fell slightly, from 28.4 percent to 27.9 percent.

It may be helpful to track through the steps used to generate this measure of U.S. import dependence.

The most expansive measure of U.S. imports is gross imports. Table 1 provides gross imports on a monthly and 12-month average basis and as a percentage of total domestic product supplied. Gross imports as a percentage of product supplied are shown in Figures 3 and 4. Gross imports exceeded 50 percent of domestic product supplied in March, May, and July 1977 and in September 1978. On a 12-month average basis, gross imports as a percentage of product supplied peaked at 47.8 percent in December 1977 and remained above 40 percent until December 1980. The February 1985 average of 32.7 percent is the second-lowest since 1973.

Oil imported for the Strategic Petroleum Reserve should not be counted, since it is not consumed. Table 2 provides gross imports less SPR imports since 1973, on a monthly and 12-month average basis. Gross imports excluding SPR imports, as a percentage of domestic product supplied, are shown in Figures 5 and 6.

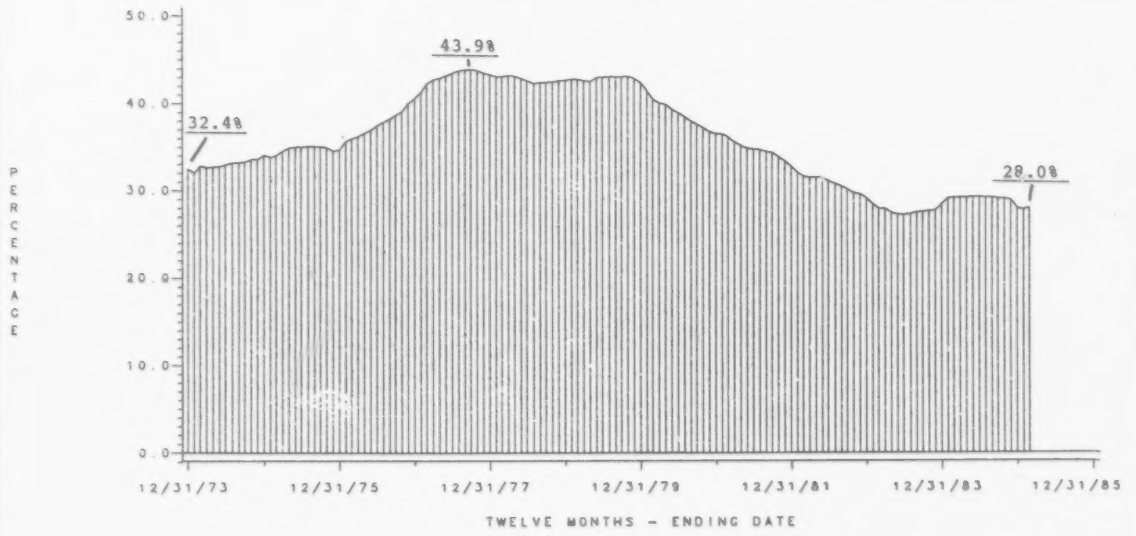
As energy regulations have been lifted, exports of specialized refined products have increased, thereby reducing our net imports. This adjustment is made in Table 3, which provides net imports (less SPR imports) on a monthly and 12-month average basis and as a percentage of total domestic product supplied since 1973. Figures 7 and 8 show net imports as a percentage of total product supplied, 12-month rolling average, from December 1973 to February 1985.

Import levels should be adjusted for whether stocks are being built up or drawn down. For example, in the winter we may import 2 million barrels a day and draw 2 million out of storage, while in the summer we may import 6 million and place 2 million in storage. While the absolute level of imports differs by a large amount, there is no real difference in dependence on imports. Net stock-adjusted imports are derived by adding stocks withdrawn to net imports or subtracting stocks added to net imports.

FIGURE 1

U.S. NET IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS (STOCK-ADJUSTED, LESS SPR IMPORTS) AS A PERCENTAGE OF TOTAL DOMESTIC PETROLEUM PRODUCTS SUPPLIED, 1973-1985

(Rolling Twelve-Month Average)

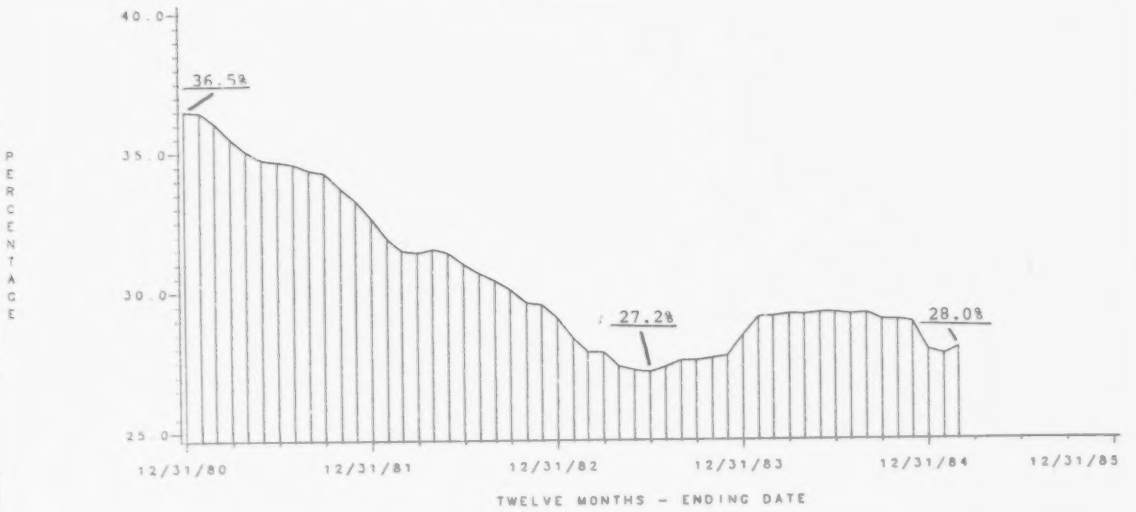


Source: Data used in preparing the Monthly Energy Review issue dated January 1985 (published in April 1985), obtained from the Monthly Energy Data System (MEDS), Energy Information Administration.

FIGURE 2

U.S. NET IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS (STOCK-ADJUSTED, LESS SPR IMPORTS) AS A PERCENTAGE OF TOTAL DOMESTIC PETROLEUM PRODUCTS SUPPLIED, 1981-1985

(Rolling Twelve-Month Average)

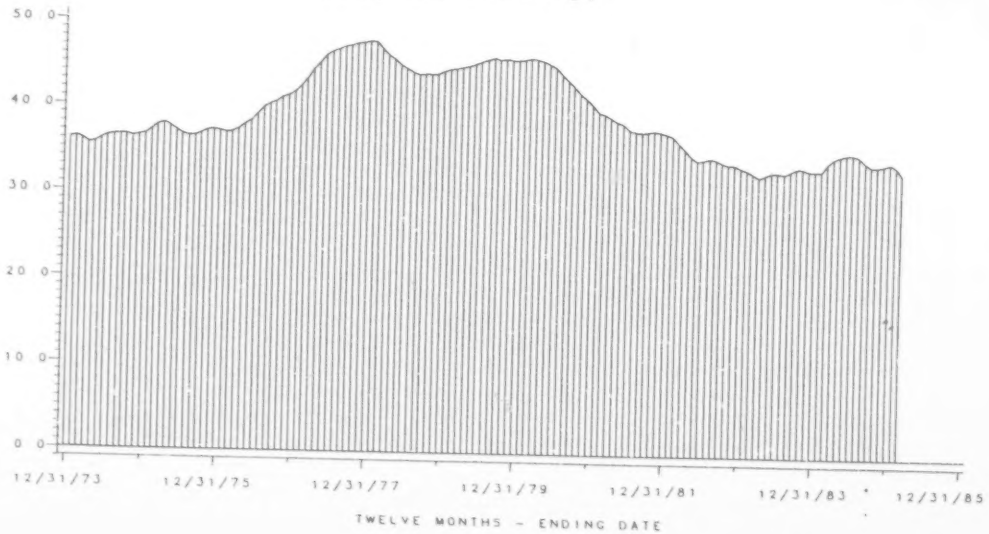


Source: Data used in preparing the Monthly Energy Review issue dated January 1985 (published in April 1985), obtained from the Monthly Energy Data System (MEDS), Energy Information Administration.

FIGURE 3

U.S. GROSS IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS AS A PERCENTAGE OF TOTAL DOMESTIC PETROLEUM PRODUCTS SUPPLIED, 1973–1985

(Rolling Twelve-Month Average)

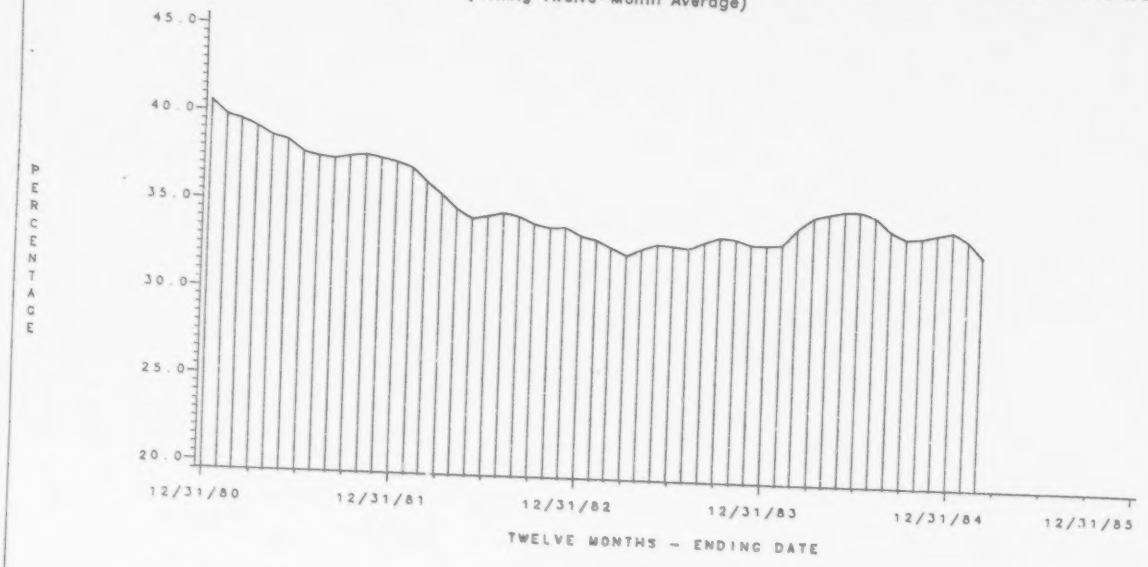


Source: Data used in preparing the Monthly Energy Review [illegible] dated January 1985 (published in April 1985), obtained from the Monthly Energy Data System (MEDS), Energy Information Administration.

FIGURE 4

U.S. GROSS IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS AS A PERCENTAGE OF TOTAL DOMESTIC PETROLEUM PRODUCTS SUPPLIED, 1981–1985

(Rolling Twelve-Month Average)



Source: Data used in preparing the Monthly Energy Review issue dated January 1985 (published in April 1985), obtained from the Monthly Energy Data System (MEDS), Energy Information Administration.

Table 1

Gross Imports of Crude Oil and Petroleum Products as a Percentage of Petroleum Product Supplied

	Monthly Averages			Rolling 12-Month Averages		
	Gross Imports (mbbl/d)	Product Supplied (mbbl/d)	Gross Imports/ Product Supplied %	Gross Imports (mbbl/d)	Product Supplied (mbbl/d)	Gross Imports/ Product Supplied %
73 JAN	5,857	18,713	31.3	.	.	.
73 FEB	6,507	19,094	34.1	.	.	.
73 MAR	6,610	17,216	38.4	.	.	.
73 APR	5,593	15,921	35.1	.	.	.
73 MAY	5,841	16,626	35.1	.	.	.
73 JUN	5,890	16,481	35.7	.	.	.
73 JUL	6,179	16,372	37.7	.	.	.
73 AUG	6,591	17,499	37.7	.	.	.
73 SEP	6,411	16,656	38.5	.	.	.
73 OCT	6,633	17,202	38.6	.	.	.
73 NOV	6,922	18,492	37.4	.	.	.
73 DEC	6,056	17,538	34.5	6,256	17,308	36.1
74 JAN	5,371	17,286	31.1	6,215	17,187	36.2
74 FEB	5,216	17,366	30.0	6,116	17,054	35.9
74 MAR	5,274	16,104	32.7	6,002	16,959	35.4
74 APR	5,980	15,929	37.5	6,034	16,960	35.6
74 MAY	6,493	15,726	41.3	6,089	16,884	36.1
74 JUN	6,360	16,117	39.5	6,128	16,854	36.4
74 JUL	6,537	16,349	40.0	6,158	16,852	36.5
74 AUG	6,361	16,550	38.4	6,139	16,771	36.6
74 SEP	6,052	16,024	37.8	6,109	16,719	36.5
74 OCT	6,175	17,050	36.2	6,070	16,706	36.3
74 NOV	6,798	17,351	39.2	6,060	16,612	36.5
74 DEC	6,667	18,013	37.0	6,112	16,653	36.7
75 JAN	6,861	18,004	38.1	6,239	16,714	37.3
75 FEB	6,176	17,084	36.2	6,312	16,692	37.8
75 MAR	5,730	16,315	35.1	6,351	16,710	38.0
75 APR	5,040	16,048	31.4	6,274	16,720	37.5
75 MAY	5,214	15,155	34.4	6,165	16,671	37.0
75 JUN	5,406	15,610	34.6	6,087	16,630	36.6
75 JUL	5,959	15,740	37.9	6,038	16,578	36.4
75 AUG	6,298	15,806	39.8	6,032	16,515	36.5
75 SEP	6,804	15,768	43.2	6,094	16,494	36.9
75 OCT	6,329	16,377	38.6	6,107	16,437	37.2
75 NOV	6,419	15,777	40.7	6,076	16,307	37.3
75 DEC	6,425	18,185	35.3	6,056	16,322	37.1
76 JAN	6,714	18,647	36.0	6,043	16,377	36.9
76 FEB	6,712	17,509	38.3	6,086	16,412	37.1
76 MAR	6,687	17,302	38.6	6,167	16,496	37.4
76 APR	6,595	16,672	39.6	6,295	16,547	38.0
76 MAY	6,323	15,977	39.6	6,388	16,616	38.4
76 JUN	7,474	16,825	44.4	6,558	16,716	39.2

Table 1 (cont'd)

	Monthly Averages			Rolling 12-Month Averages		
	Gross Imports (mbbl/d)	Product Supplied (mbbl/d)	Gross Imports/ Product Supplied %	Gross Imports (mbbl/d)	Product Supplied (mbbl/d)	Gross Imports/ Product Supplied %
76 JUL	7,884	16,607	47.5	6,721	16,789	40.0
76 AUG	7,382	16,642	44.4	6,813	16,860	40.4
76 SEP	7,924	16,837	47.1	6,905	16,948	40.7
76 OCT	7,536	17,090	44.1	7,007	17,008	41.2
76 NOV	8,060	18,847	42.8	7,141	17,260	41.4
76 DEC	8,447	20,560	41.1	7,313	17,461	41.9
77 JAN	8,903	20,504	43.4	7,498	17,618	42.6
77 FEB	9,997	20,482	48.8	7,752	17,847	43.4
77 MAR	9,383	18,124	51.8	7,981	17,917	44.5
77 APR	8,723	17,580	49.6	8,156	17,991	45.3
77 MAY	8,571	16,972	50.5	8,347	18,076	46.2
77 JUN	8,937	18,043	49.5	8,467	18,176	46.6
77 JUL	9,095	17,568	51.8	8,570	18,257	46.9
77 AUG	8,574	18,012	47.6	8,671	18,374	47.2
77 SEP	8,567	17,714	48.4	8,724	18,446	47.3
77 OCT	8,364	17,824	46.9	8,795	18,508	47.5
77 NOV	8,135	18,437	44.1	8,801	18,475	47.6
77 DEC	8,525	20,052	42.5	8,807	18,431	47.8
78 JAN	8,332	19,752	42.2	8,759	18,368	47.7
78 FEB	8,119	20,900	38.8	8,615	18,400	46.8
78 MAR	8,501	19,652	43.3	8,540	18,529	46.1
78 APR	7,743	17,747	43.6	8,459	18,543	45.6
78 MAY	7,531	18,230	41.3	8,371	18,650	44.9
78 JUN	8,108	18,260	44.4	8,303	18,668	44.5
78 JUL	8,277	17,633	46.9	8,233	18,673	44.1
78 AUG	8,292	18,639	44.5	8,209	18,727	43.8
78 SEP	9,036	17,954	50.3	8,248	18,746	44.0
78 OCT	8,313	18,417	45.1	8,244	18,797	43.9
78 NOV	8,852	19,156	46.2	8,303	18,856	44.0
78 DEC	9,241	19,944	46.3	8,363	18,847	44.4
79 JAN	9,148	20,586	44.4	8,433	18,917	44.6
79 FEB	8,591	21,288	40.4	8,469	18,947	44.7
79 MAR	8,760	19,322	45.3	8,491	18,919	44.9
79 APR	7,893	17,434	45.3	8,503	18,893	45.0
79 MAY	8,091	17,801	45.5	8,551	18,857	45.3
79 JUN	8,327	17,786	46.8	8,569	18,818	45.5
79 JUL	8,559	17,144	49.9	8,593	18,776	45.8
79 AUG	8,590	18,149	47.3	8,618	18,735	46.0
79 SEP	8,023	17,400	46.1	8,535	18,689	45.7
79 OCT	8,688	18,176	47.8	8,567	18,669	45.9
79 NOV	8,141	18,313	44.5	8,508	18,599	45.7
79 DEC	8,628	18,922	45.6	8,456	18,513	45.7
80 JAN	8,598	18,851	45.6	8,409	18,365	45.8
80 FEB	7,945	18,817	42.2	8,359	18,177	46.0
80 MAR	7,452	17,377	42.9	8,248	18,013	45.8

Table 1 (cont'd)

	Monthly Averages			Rolling 12-Month Averages		
	Gross Imports (mbbl/d)	Product Supplied (mbbl/d)	Gross Imports/ Product Supplied %	Gross Imports (mbbl/d)	Product Supplied (mbbl/d)	Gross Imports/ Product Supplied %
80 APR	7,106	16,784	42.3	8,183	17,960	45.6
80 MAY	6,579	16,238	40.5	8,055	17,827	45.2
80 JUN	6,894	16,187	42.6	7,938	17,696	44.9
80 JUL	6,257	16,008	39.1	7,743	17,600	44.0
80 AUG	6,192	15,753	39.3	7,540	17,397	43.3
80 SEP	6,239	16,598	37.6	7,394	17,331	42.7
80 OCT	6,379	16,995	37.5	7,198	17,231	41.8
80 NOV	6,408	16,702	38.4	7,056	17,099	41.3
80 DEC	6,894	18,410	37.4	6,909	17,056	40.5
81 JAN	6,827	18,430	37.0	6,759	17,020	39.7
81 FEB	6,772	16,989	39.9	6,666	16,875	39.5
81 MAR	6,028	15,907	37.9	6,545	16,750	39.1
81 APR	5,668	15,350	36.9	6,427	16,632	38.6
81 MAY	5,775	15,353	37.6	6,358	16,557	38.4
81 JUN	5,435	16,095	33.8	6,239	16,549	37.7
81 JUL	5,816	15,682	37.1	6,201	16,522	37.5
81 AUG	5,767	15,263	37.8	6,165	16,480	37.4
81 SEP	6,365	15,655	40.7	6,175	16,403	37.6
81 OCT	5,959	15,822	37.7	6,140	16,303	37.7
81 NOV	5,741	15,593	36.8	6,085	16,212	37.5
81 DEC	5,843	16,596	35.2	5,996	16,058	37.3
82 JAN	5,332	16,124	33.1	5,869	15,862	37.0
82 FEB	4,807	16,001	30.0	5,718	15,786	36.2
82 MAR	4,484	15,560	28.8	5,587	15,757	35.5
82 APR	4,378	16,046	27.3	5,481	15,814	34.7
82 MAY	4,811	14,847	32.4	5,399	15,771	34.2
82 JUN	5,327	14,998	35.5	5,390	15,681	34.4
82 JUL	5,890	14,821	39.7	5,396	15,608	34.6
82 AUG	5,244	14,839	35.3	5,352	15,572	34.4
82 SEP	5,414	15,022	36.0	5,274	15,520	34.0
82 OCT	5,306	14,859	35.7	5,218	15,438	33.8
82 NOV	5,744	15,009	38.3	5,218	15,390	33.9
82 DEC	4,606	15,487	29.7	5,113	15,296	33.4
83 JAN	4,438	14,722	30.1	5,037	15,177	33.2
83 FEB	3,726	14,792	25.2	4,954	15,084	32.8
83 MAR	3,690	15,541	23.7	4,887	15,082	32.4
83 APR	4,727	14,692	32.2	4,916	14,971	32.8
83 MAY	5,089	14,505	35.1	4,939	14,942	33.1
83 JUN	5,326	15,289	34.8	4,939	14,966	33.0
83 JUL	5,741	15,019	38.2	4,926	14,983	32.9
83 AUG	6,159	15,480	39.8	5,004	15,037	33.3
83 SEP	6,129	15,506	39.5	5,063	15,077	33.6
83 OCT	5,258	14,962	35.1	5,059	15,086	33.5
83 NOV	5,210	15,500	33.6	5,015	15,126	33.2
83 DEC	5,033	16,726	30.1	5,051	15,231	33.2

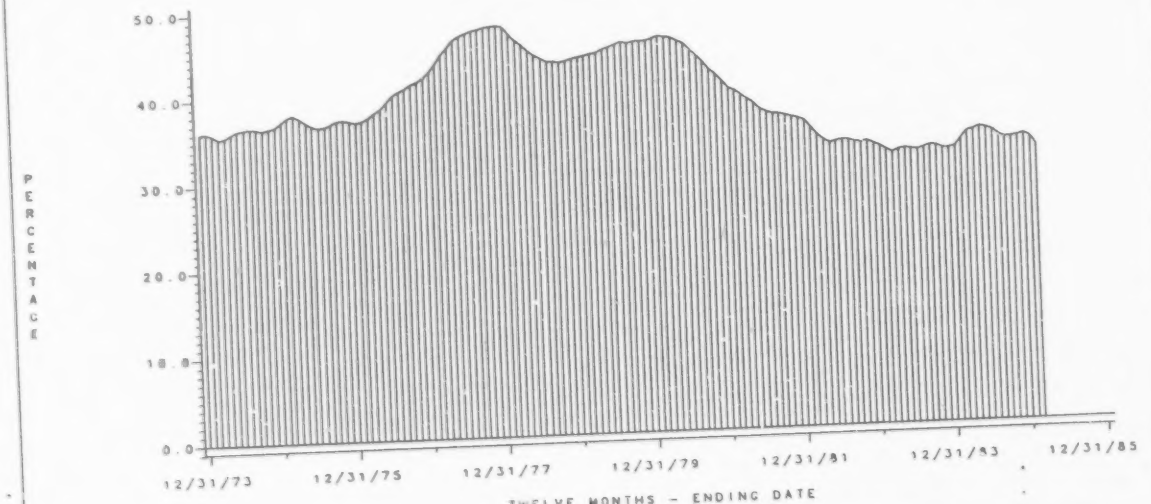
Table 1 (cont'd)

	Monthly Averages			Rolling 12-Month Averages		
	Gross Imports (mbbl/d)	Product Supplied (mbbl/d)	Gross Imports/ Product Supplied %	Gross Imports (mbbl/d)	Product Supplied (mbbl/d)	Gross Imports/ Product Supplied %
84 JAN	5,347	16,726	32.0	5,129	15,401	33.3
84 FEB	5,643	15,389	36.7	5,277	15,447	34.2
84 MAR	5,253	16,017	32.8	5,409	15,487	34.9
84 APR	5,319	15,484	34.4	5,458	15,552	35.1
84 MAY	5,916	15,566	38.0	5,528	15,642	35.3
84 JUN	5,304	15,687	33.8	5,526	15,675	35.3
84 JUL	5,387	15,547	34.7	5,496	15,719	35.0
84 AUG	5,036	16,130	31.2	5,401	15,774	34.2
84 SEP	5,173	15,315	33.8	5,322	15,759	33.8
84 OCT	5,767	15,631	36.9	5,365	15,815	33.9
84 NOV	5,534	15,602	35.5	5,392	15,824	34.1
84 DEC	4,909	15,353	32.0	5,381	15,708	34.3
85 JAN	4,376	16,142	27.1	5,299	15,658	33.8
85 FEB	3,921	15,975	24.5	5,166	15,704	32.9

FIGURE 5

U.S. GROSS IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS (LESS SPR IMPORTS) AS A PERCENTAGE OF TOTAL DOMESTIC PETROLEUM PRODUCTS SUPPLIED, 1981–1985

(Rolling Twelve-Month Average)

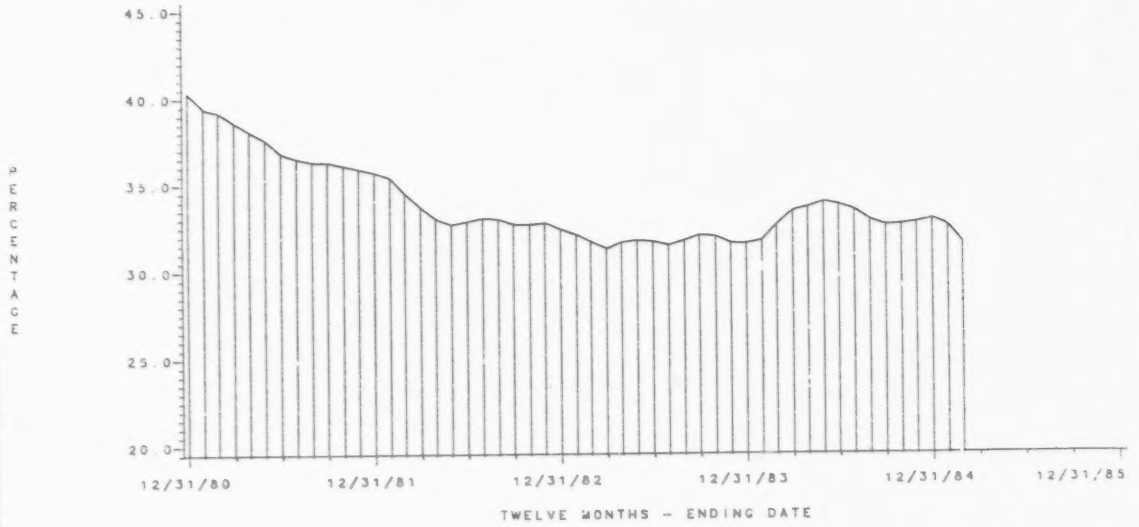


Source: Data used in preparing the Monthly Energy Review issue dated January 1985 (published in April 1985), obtained from the Monthly Energy Data System (MEDS), Energy Information Administration.

FIGURE 6

U.S. GROSS IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS (LESS SPR IMPORTS) AS A PERCENTAGE OF TOTAL DOMESTIC PETROLEUM PRODUCTS SUPPLIED, 1981–1985

(Rolling Twelve-Month Average)



Source: Data used in preparing the Monthly Energy Review issue dated January 1985 (published in April 1985), obtained from the Monthly Energy Data System (MEDS), Energy Information Administration.

Table 2

Gross Imports of Crude Oil and Petroleum Products (excluding SPR Imports) as a Percentage of Petroleum Product Supplied

	Monthly Averages				Rolling 12-Month Averages	
	Gross Imports (mbbl/d)	Product Supplied (mbbl/d)	SPR Imports	Gross Imports (excl. SPR)	Gross Imports (excl. SPR)	Gross Imports (excl. SPR)/ Product Supplied %
73 JAN	5857	18713	0	5857	.	.
73 FEB	6507	19094	0	6507	.	.
73 MAR	6610	17216	0	6610	.	.
73 APR	5593	15921	0	5593	.	.
73 MAY	5841	16626	0	5841	.	.
73 JUN	5890	16481	0	5890	.	.
73 JUL	6179	16372	0	6179	.	.
73 AUG	6591	17499	0	6591	.	.
73 SEP	6411	16656	0	6411	.	.
73 OCT	6633	17202	0	6633	.	.
73 NOV	6922	18492	0	6922	.	.
73 DEC	6056	17538	0	6056	6256	36.1
74 JAN	5371	17286	0	5371	6215	36.2
74 FEB	5216	17366	0	5216	6116	35.9
74 MAR	5274	16104	0	5274	6002	35.4
74 APR	5980	15929	0	5980	6034	35.6
74 MAY	6493	15726	0	6493	6089	36.1
74 JUN	6360	16117	0	6360	6128	36.4
74 JUL	6537	16349	0	6537	6158	36.5
74 AUG	6361	16550	0	6361	6139	36.6
74 SEP	6052	16024	0	6052	6109	36.5
74 OCT	6175	17050	0	6175	6070	36.3
74 NOV	6798	17351	0	6798	6060	36.5
74 DEC	6667	18013	0	6667	6112	36.7
75 JAN	6861	18004	0	6861	6239	37.3
75 FEB	6176	17084	0	6176	6312	37.8
75 MAR	5730	16315	0	5730	6351	38.0
75 APR	5040	16048	0	5040	6274	37.5
75 MAY	5214	15155	0	5214	6165	37.0
75 JUN	5406	15610	0	5406	6087	36.6
75 JUL	5959	15740	0	5959	6038	36.4
75 AUG	6298	15806	0	6298	6032	36.5
75 SEP	6804	15768	0	6804	6094	36.9
75 OCT	6329	16377	0	6329	6107	37.2
75 NOV	6419	15777	0	6419	6076	37.3
75 DEC	6425	18185	0	6425	6056	37.1
76 JAN	6714	18647	0	6714	6043	36.9
76 FEB	6712	17509	0	6712	6086	37.1
76 MAR	6687	17302	0	6687	6167	37.4
76 APR	6595	16672	0	6595	6295	38.0
76 MAY	6323	15977	0	6323	6388	38.4
76 JUN	7474	16825	0	7474	6558	39.2
76 JUL	7884	16607	0	7884	6721	40.0
76 AUG	7382	16642	0	7382	6813	40.4
76 SEP	7924	16837	0	7924	6905	40.7
76 OCT	7536	17090	0	7536	7007	41.2
76 NOV	8060	18847	0	8060	7141	41.4
76 DEC	8447	20560	0	8447	7313	41.9

Table 2 (cont'd)

	Monthly Averages				Rolling 12-Month Averages	
	Gross Imports (mbbl/d)	Product Supplied (mbbl/d)	SPR Imports	Gross Imports (excl. SPR)	Gross Imports (excl. SPR)	Gross Imports (excl. SPR)/ Product Supplied %
77 JAN	8903	20504	0	8903	7498	42.6
77 FEB	9997	20482	0	9997	7752	43.4
77 MAR	9383	18124	0	9383	7981	44.5
77 APR	8723	17580	0	8723	8156	45.3
77 MAY	8571	16972	0	8571	8347	46.2
77 JUN	8937	18043	0	8937	8467	46.6
77 JUL	9095	17568	0	9095	8570	46.9
77 AUG	8574	18012	0	8574	8671	47.2
77 SEP	8567	17714	0	8567	8724	47.3
77 OCT	8364	17824	93	8271	8787	47.5
77 NOV	8135	18437	73	8062	8787	47.6
77 DEC	8525	20052	79	8446	8787	47.7
78 JAN	8332	19752	114	8218	8728	47.5
78 FEB	8119	20900	109	8010	8576	46.6
78 MAR	8501	19652	132	8369	8490	45.8
78 APR	7743	17747	108	7635	8401	45.3
78 MAY	7531	18230	133	7398	8301	44.5
78 JUN	8108	18260	146	7962	8221	44.0
78 JUL	8277	17633	154	8123	8138	43.6
78 AUG	8292	18639	184	8108	8099	43.2
78 SEP	9036	17954	225	8811	8119	43.3
78 OCT	8313	18417	195	8118	8106	43.1
78 NOV	8852	19156	188	8664	8155	43.3
78 DEC	9241	19944	245	8996	8202	43.5
79 JAN	9148	20586	204	8944	8264	43.7
79 FEB	8591	21288	179	8412	8294	43.8
79 MAR	8760	19322	122	8638	8317	44.0
79 APR	7893	17434	66	7827	8333	44.1
79 MAY	8091	17801	97	7994	8384	44.5
79 JUN	8327	17786	65	8262	8408	44.7
79 JUL	8559	17144	41	8518	8442	45.0
79 AUG	8590	18149	35	8555	8480	45.3
79 SEP	8023	17400	0	8023	8415	45.0
79 OCT	8688	18176	0	8688	8463	45.3
79 NOV	8141	18313	0	8141	8420	45.3
79 DEC	8628	18922	0	8628	8389	45.3
80 JAN	8598	18851	0	8598	8360	45.5
80 FEB	7945	18817	0	7945	8323	45.8
80 MAR	7452	17377	0	7452	8223	45.6
80 APR	7106	16784	0	7106	8163	45.5
80 MAY	6579	16238	0	6579	8044	45.1
80 JUN	6894	16187	0	6894	7931	44.8
80 JUL	6257	16008	0	6257	7740	44.0
80 AUG	6192	15753	0	6192	7540	43.3
80 SEP	6239	16598	54	6185	7389	42.6
80 OCT	6379	16995	131	6248	7182	41.7

Table 2 (cont'd)

	Monthly Averages				Rolling 12-Month Averages	
	Gross Imports (mbbl/d)	Product Supplied (mbbl/d)	SPR Imports	Gross Imports (excl. SPR)	Gross Imports (excl. SPR)	Gross Imports (excl. SPR)/ Product Supplied %
80 NOV	6408	16702	142	6266	7029	41.1
80 DEC	6894	18410	198	6696	6865	40.3
81 JAN	6827	18430	106	6721	6706	39.4
81 FEB	6772	16989	80	6692	6607	39.2
81 MAR	6028	15907	140	5888	6474	38.6
81 APR	5668	15350	272	5396	6333	38.1
81 MAY	5775	15353	386	5389	6232	37.6
81 JUN	5435	16095	318	5117	6086	36.8
81 JUL	5816	15682	175	5641	6034	36.5
81 AUG	5767	15263	257	5510	5976	36.3
81 SEP	6365	15655	435	5930	5955	36.3
81 OCT	5959	15822	453	5506	5892	36.1
81 NOV	5741	15593	271	5470	5827	35.9
81 DEC	5843	16596	165	5678	5740	35.7
82 JAN	5332	16124	170	5162	5608	35.4
82 FEB	4807	16001	159	4648	5451	34.5
82 MAR	4484	15560	185	4299	5316	33.7
82 APR	4378	16046	190	4188	5217	33.0
82 MAY	4811	14847	204	4607	5150	32.7
82 JUN	5327	14998	105	5222	5159	32.9
82 JUL	5890	14821	97	5793	5172	33.1
82 AUG	5244	14839	208	5036	5131	33.0
82 SEP	5414	15022	139	5275	5078	32.7
82 OCT	5306	14859	216	5090	5042	32.7
82 NOV	5744	15009	180	5564	5050	32.8
82 DEC	4606	15487	124	4482	4948	32.4
83 JAN	4438	14722	219	4219	4868	32.1
83 FEB	3726	14792	197	3529	4782	31.7
83 MAR	3690	15541	201	3489	4714	31.3
83 APR	4727	14692	205	4522	4741	31.7
83 MAY	5089	14505	289	4800	4757	31.8
83 JUN	5326	15289	190	5136	4750	31.7
83 JUL	5741	15019	274	5467	4723	31.5
83 AUG	6159	15480	350	5809	4788	31.8
83 SEP	6129	15506	309	5820	4833	32.1
83 OCT	5258	14962	202	5056	4830	32.0
83 NOV	5210	15500	171	5039	4787	31.6
83 DEC	5033	16726	193	4840	4818	31.6
84 JAN	5347	16726	200	5147	4896	31.8
84 FEB	5643	15389	85	5558	5053	32.7
84 MAR	5253	16017	148	5105	5190	33.5
84 APR	5319	15484	170	5149	5242	33.7
84 MAY	5916	15566	246	5670	5315	34.0
84 JUN	5304	15687	309	4995	5304	33.8
84 JUL	5387	15547	329	5058	5269	33.5
84 AUG	5036	16130	180	4856	5188	32.9

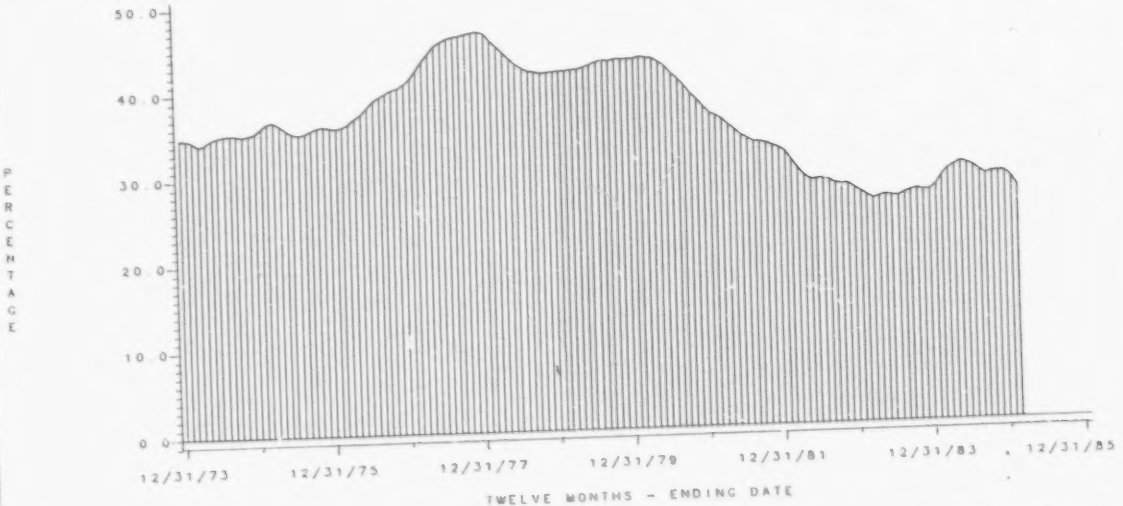
Table 2 (cont'd)

	Monthly Averages				Rolling 12-Month Averages	
	Gross Imports (mbbl/d)	Product Supplied (mbbl/d)	SPR Imports	Gross Imports (excl. SPR)	Gross Imports (excl. SPR)	Gross Imports (excl. SPR)/ Product Supplied %
84 SEP	5173	15315	53	5120	5131	32.6
84 OCT	5767	15631	187	5580	5175	32.7
84 NOV	5534	15602	219	5315	5198	32.8
84 DEC	4909	15353	229	4680	5185	33.0
85 JAN	4376	16142	223	4153	5100	32.6
85 FEB	3921	15975	98	3823	4966	31.6

FIGURE 7

U.S. NET IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS (LESS SPR IMPORTS) AS A PERCENTAGE OF TOTAL DOMESTIC PETROLEUM PRODUCTS SUPPLIED, 1973–1985

(Rolling Twelve–Month Average)

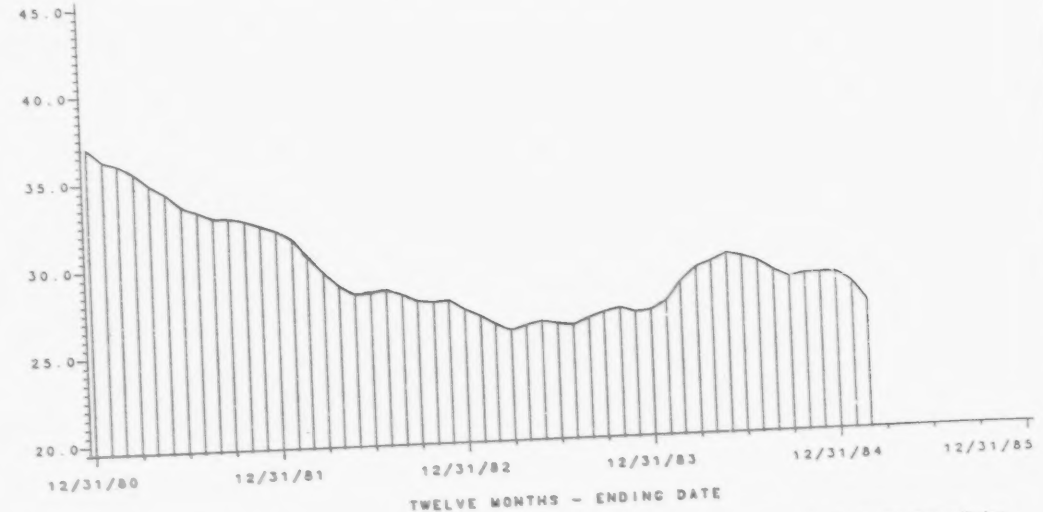


Source: Data used in preparing the Monthly Energy Review issue dated January 1985 (published in April 1985), obtained from the Monthly Energy Data System (MEDS), Energy Information Administration.

FIGURE 8

U.S. NET IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS (LESS SPR IMPORTS) AS A PERCENTAGE OF TOTAL DOMESTIC PETROLEUM PRODUCTS SUPPLIED, 1981–1985

(Rolling Twelve-Month Average)



Source: Data used in preparing the Monthly Energy Review issue dated January 1985 (published in April 1985), obtained from the Monthly Energy Data System (MEDS), Energy Information Administration.

Table 3

Net Imports of Crude Oil and Petroleum Products (excluding SPR imports) as a Percentage of Petroleum Product Supplied

	Monthly	Rolling 12-Month Averages	
	Net Imports (excl. SPR) (mbbl/d)	Net Imports (excl. SPR) (mbbl/d)	Net Imports (excl. SPR)/ Product Supplied %
JANUARY 31, 1973	5646	.	.
FEBRUARY 28, 1973	6246	.	.
MARCH 31, 1973	6386	.	.
APRIL 30, 1973	5318	.	.
MAY 31, 1973	5604	.	.
JUNE 30, 1973	5675	.	.
JULY 31, 1973	5938	.	.
AUGUST 31, 1973	6373	.	.
SEPTEMBER 30, 1973	6168	.	.
OCTOBER 31, 1973	6411	.	.
NOVEMBER 30, 1973	6720	.	.
DECEMBER 31, 1973	5828	6026	34.8
JANUARY 31, 1974	5164	5986	34.8
FEBRUARY 28, 1974	5013	5883	34.5
MARCH 31, 1974	5078	5774	34.0
APRIL 30, 1974	5736	5809	34.2
MAY 31, 1974	6247	5863	34.8
JUNE 30, 1974	6122	5900	35.0
JULY 31, 1974	6283	5929	35.2
AUGUST 31, 1974	6114	5907	35.3
SEPTEMBER 30, 1974	5881	5883	35.2
OCTOBER 31, 1974	5954	5845	35.0
NOVEMBER 30, 1974	6612	5836	35.2
DECEMBER 31, 1974	6436	5887	35.4
JANUARY 31, 1975	6633	6009	36.0
FEBRUARY 28, 1975	5928	6085	36.5
MARCH 31, 1975	5517	6122	36.7
APRIL 30, 1975	4850	6048	36.2
MAY 31, 1975	5012	5945	35.6
JUNE 30, 1975	5182	5867	35.2
JULY 31, 1975	5773	5824	35.1
AUGUST 31, 1975	6095	5823	35.2
SEPTEMBER 30, 1975	6599	5883	35.6
OCTOBER 31, 1975	6142	5898	35.9
NOVEMBER 30, 1975	6253	5868	36.0
DECEMBER 31, 1975	6164	5846	35.8
JANUARY 31, 1976	6558	5839	35.7
FEBRUARY 29, 1976	6471	5885	35.9
MARCH 31, 1976	6502	5967	36.2
APRIL 30, 1976	6373	6094	36.9
MAY 31, 1976	6144	6188	37.3
JUNE 30, 1976	7262	6361	38.1

Table 3 (cont'd)

	Monthly	Rolling 12-Month Averages	
	Net Imports (excl. SPR) (mbbl/d)	Net Imports (excl. SPR) (mbbl/d)	Net Imports (excl. SPR)/ Product Supplied %
JULY 31, 1976	7641	6517	38.9
AUGUST 31, 1976	7162	6606	39.3
SEPTEMBER 30, 1976	7728	6700	39.6
OCTOBER 31, 1976	7338	6800	40.1
NOVEMBER 30, 1976	7712	6921	40.2
DECEMBER 31, 1976	8168	7088	40.7
JANUARY 31, 1977	8711	7268	41.3
FEBRUARY 28, 1977	9763	7542	42.2
MARCH 31, 1977	9176	7765	43.3
APRIL 30, 1977	8499	7942	44.1
MAY 31, 1977	8283	8120	45.0
JUNE 30, 1977	8712	8241	45.4
JULY 31, 1977	8842	8341	45.8
AUGUST 31, 1977	8345	8440	46.0
SEPTEMBER 30, 1977	8273	8485	46.1
OCTOBER 31, 1977	8016	8542	46.3
NOVEMBER 30, 1977	7827	8551	46.4
DECEMBER 31, 1977	8172	8551	46.5
JANUARY 31, 1978	7962	8489	46.3
FEBRUARY 28, 1978	7802	8326	45.4
MARCH 31, 1978	8100	8236	44.7
APRIL 30, 1978	7298	8136	44.0
MAY 31, 1978	7085	8036	43.2
JUNE 30, 1978	7563	7940	42.6
JULY 31, 1978	7793	7853	42.1
AUGUST 31, 1978	7697	7799	41.7
SEPTEMBER 30, 1978	8334	7804	41.7
OCTOBER 31, 1978	7650	7774	41.4
NOVEMBER 30, 1978	8255	7809	41.5
DECEMBER 31, 1978	8541	7840	41.6
JANUARY 31, 1979	8552	7889	41.7
FEBRUARY 28, 1979	7926	7900	41.7
MARCH 31, 1979	8028	7894	41.8
APRIL 30, 1979	7334	7897	41.8
MAY 31, 1979	7565	7937	42.1
JUNE 30, 1979	7794	7956	42.3
JULY 31, 1979	8031	7976	42.6
AUGUST 31, 1979	8089	8008	42.8
SEPTEMBER 30, 1979	7609	7948	42.6
OCTOBER 31, 1979	8263	7999	42.9
NOVEMBER 30, 1979	7631	7947	42.8
DECEMBER 31, 1979	8157	7915	42.8
JANUARY 31, 1980	8048	7873	42.9
FEBRUARY 29, 1980	7386	7828	43.1
MARCH 31, 1980	6879	7732	42.9
APRIL 30, 1980	6672	7677	42.8

Table 3 (cont'd)

	Monthly	Rolling 12-Month Averages	
	Net Imports (excl. SPR) (mbbl/d)	Net Imports (excl. SPR) (mbbl/d)	Net Imports (excl. SPR)/ Product Supplied %
MAY 31, 1980	5987	7546	42.3
JUNE 30, 1980	6240	7416	41.8
JULY 31, 1980	5727	7224	40.9
AUGUST 31, 1980	5873	7040	40.3
SEPTEMBER 30, 1980	5628	6874	39.5
OCTOBER 31, 1980	5650	6657	38.5
NOVEMBER 30, 1980	5717	6497	37.9
DECEMBER 31, 1980	6074	6324	37.0
JANUARY 31, 1981	6164	6167	36.2
FEBRUARY 28, 1981	6123	6061	36.0
MARCH 31, 1981	5302	5930	35.5
APRIL 30, 1981	4826	5776	34.8
MAY 31, 1981	4794	5677	34.3
JUNE 30, 1981	4697	5548	33.5
JULY 31, 1981	5070	5493	33.2
AUGUST 31, 1981	4866	5409	32.8
SEPTEMBER 30, 1981	5410	5391	32.8
OCTOBER 31, 1981	4768	5318	32.6
NOVEMBER 30, 1981	4770	5239	32.3
DECEMBER 31, 1981	5022	5151	32.0
JANUARY 31, 1982	4333	4999	31.5
FEBRUARY 28, 1982	3844	4809	30.5
MARCH 31, 1982	3417	4652	29.5
APRIL 30, 1982	3403	4533	28.7
MAY 31, 1982	3804	4450	28.2
JUNE 30, 1982	4519	4436	28.3
JULY 31, 1982	5052	4434	28.4
AUGUST 31, 1982	4178	4377	28.1
SEPTEMBER 30, 1982	4485	4300	27.7
OCTOBER 31, 1982	4158	4249	27.6
NOVEMBER 30, 1982	4778	4249	27.7
DECEMBER 31, 1982	3622	4133	27.1
JANUARY 31, 1983	3245	4042	26.7
FEBRUARY 28, 1983	2664	3944	26.2
MARCH 31, 1983	2688	3883	25.8
APRIL 30, 1983	3713	3909	26.1
MAY 31, 1983	3952	3921	26.3
JUNE 30, 1983	4362	3908	26.1
JULY 31, 1983	4896	3895	26.0
AUGUST 31, 1983	5146	3976	26.4
SEPTEMBER 30, 1983	5136	4030	26.7
OCTOBER 31, 1983	4480	4057	26.9
NOVEMBER 30, 1983	4360	4022	26.6
DECEMBER 31, 1983	4201	4070	26.7
JANUARY 31, 1984	4572	4181	27.2

Table 3 (cont'd)

	Monthly	Rolling 12-Month Averages	
	Net Imports (excl. SPR) (mbbl/d)	Net Imports (excl. SPR) (mbbl/d)	Net Imports (excl. SPR)/ Product Supplied %
FEBRUARY 29, 1984	4976	4373	28.3
MARCH 31, 1984	4265	4505	29.1
APRIL 30, 1984	4494	4570	29.4
MAY 31, 1984	4904	4649	29.8
JUNE 30, 1984	4131	4630	29.6
JULY 31, 1984	4522	4599	29.3
AUGUST 31, 1984	4125	4514	28.7
SEPTEMBER 30, 1984	4457	4457	28.3
OCTOBER 31, 1984	4980	4499	28.5
NOVEMBER 30, 1984	4460	4507	28.5
DECEMBER 31, 1984	3695	4465	28.5
JANUARY 31, 1985	3361	4364	27.9
FEBRUARY 28, 1985	2966	4205	26.8

Table 4

U.S. NET IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS
(STOCK-ADJUSTED, LESS SPR IMPORTS) AS A PERCENTAGE OF
TOTAL DOMESTIC PETROLEUM PRODUCTS SUPPLIED
(Rolling Twelve-Month Average)

Average for One Year, ending as of:	Net Imports (Stock adjusted)/ Product Supplied (%)	Gross Petroleum Imports (mbbl/d)	Petroleum Exports (mbbl/d)	Crude Oil Stock Withdrawal (mbbl/d	Petroleum Product Stock Withdrawal (mbbl/d)	Net Imports (Stock Adjusted) (mbbl/d)	Petroleum Product Supplied (mbbl/d)
DECEMBER 31, 1973	32.4	6,256	231	11	-431	5,604	17,308
JANUARY 31, 1974	31.9	6,215	231	12	-506	5,490	17,187
FEBRUARY 28, 1974	32.8	6,116	226	-15	-280	5,595	17,054
MARCH 31, 1974	32.5	6,002	224	-1	-257	5,519	16,959
APRIL 30, 1974	32.7	6,034	221	-21	-247	5,544	16,960
MAY 31, 1974	32.7	6,089	222	-32	-313	5,522	16,884
JUNE 30, 1974	32.9	6,128	224	-55	-298	5,551	16,854
JULY 31, 1974	33.2	6,158	225	-68	-274	5,591	16,852
AUGUST 31, 1974	33.1	6,139	228	-45	-307	5,559	16,771
SEPTEMBER 30, 1974	33.3	6,109	222	-70	-257	5,561	16,719
OCTOBER 31, 1974	33.6	6,070	222	-63	-175	5,611	16,706
NOVEMBER 30, 1974	33.5	6,060	220	-58	-215	5,567	16,612
DECEMBER 31, 1974	34.1	6,112	221	-62	-157	5,673	16,653
JANUARY 31, 1975	33.7	6,239	222	-103	-274	5,640	16,714
FEBRUARY 28, 1975	34.0	6,312	226	-99	-311	5,677	16,692
MARCH 31, 1975	34.5	6,351	227	-97	-255	5,773	16,710
APRIL 30, 1975	34.9	6,274	223	-70	-142	5,839	16,720
MAY 31, 1975	35.0	6,165	219	-31	-83	5,832	16,671
JUNE 30, 1975	35.0	6,087	218	-20	-28	5,821	16,630
JULY 31, 1975	35.1	6,038	212	12	-25	5,813	16,578
AUGUST 31, 1975	35.1	6,032	209	23	-55	5,792	16,515
SEPTEMBER 30, 1975	35.0	6,094	211	20	-134	5,769	16,494
OCTOBER 31, 1975	34.9	6,107	208	-0	-164	5,735	16,437
NOVEMBER 30, 1975	34.5	6,076	207	1	-245	5,625	16,307
DECEMBER 31, 1975	34.7	6,056	209	-17	-173	5,656	16,322
JANUARY 31, 1976	35.8	6,043	203	-52	66	5,855	16,377
FEBRUARY 29, 1976	36.0	6,086	203	-2	30	5,911	16,412
MARCH 31, 1976	36.3	6,167	200	-9	25	5,983	16,496
APRIL 30, 1976	36.6	6,295	203	-13	-16	6,062	16,547
MAY 31, 1976	37.0	6,388	201	-8	-28	6,151	16,616
JUNE 30, 1976	37.6	6,558	200	-15	-65	6,278	16,716
JULY 31, 1976	37.9	6,721	205	-50	-102	6,364	16,789
AUGUST 31, 1976	38.3	6,813	206	-56	-97	6,453	16,860
SEPTEMBER 30, 1976	38.7	6,905	206	-68	-66	6,565	16,948
OCTOBER 31, 1976	39.2	7,007	207	-77	-64	6,659	17,008
NOVEMBER 30, 1976	40.1	7,141	221	-76	82	6,926	17,260
DECEMBER 31, 1976	40.6	7,313	223	-112	115	7,093	17,461

Table 4 (cont'd)

Average for One Year, ending as of:	Net Imports (Stock adjusted)/ Product Supplied (%)	Gross Petroleum Imports (mbbl/d)	Petroleum Exports (mbbl/d)	Crude Oil Stock Withdrawal (mbbl/d	Petroleum Product Stock Withdrawal (mbbl/d)	Net Imports (Stock Adjusted) (mbbl/d)	Petroleum Product Supplied (mbbl/d)
JANUARY 31, 1977	41.3	7,498	226	-86	99	7,285	17,618
FEBRUARY 28, 1977	42.3	7,752	225	-112	136	7,551	17,847
MARCH 31, 1977	42.7	7,981	227	-118	17	7,653	17,917
APRIL 30, 1977	42.9	8,156	227	-162	-45	7,722	17,991
MAY 31, 1977	43.2	8,347	237	-196	-110	7,804	18,076
JUNE 30, 1977	43.5	8,467	238	-216	-103	7,911	18,176
JULY 31, 1977	43.8	8,570	239	-218	-117	7,997	18,257
AUGUST 31, 1977	43.9	8,671	239	-242	-128	8,062	18,374
SEPTEMBER 30, 1977	43.9	8,724	248	-210	-169	8,099	18,446
OCTOBER 31, 1977	43.8	8,795	252	-198	-244	8,100	18,508
NOVEMBER 30, 1977	43.4	8,801	243	-214	-331	8,012	18,475
DECEMBER 31, 1977	43.2	8,807	243	-170	-424	7,970	18,431
JANUARY 31, 1978	43.0	8,759	248	-160	-451	7,900	18,368
FEBRUARY 28, 1978	43.0	8,615	246	-161	-287	7,921	18,400
MARCH 31, 1978	43.2	8,540	251	-176	-102	8,010	18,529
APRIL 30, 1978	43.1	8,459	261	-127	-82	7,990	18,543
MAY 31, 1978	42.8	8,371	263	-128	2	7,982	18,650
JUNE 30, 1978	42.5	8,303	277	-139	51	7,938	18,668
JULY 31, 1978	42.2	8,233	284	-147	83	7,885	18,673
AUGUST 31, 1978	42.4	8,209	299	-109	136	7,937	18,727
SEPTEMBER 30, 1978	42.4	8,248	314	-151	169	7,952	18,746
OCTOBER 31, 1978	42.5	8,244	332	-153	225	7,983	18,797
NOVEMBER 30, 1978	42.6	8,303	346	-142	222	8,036	18,856
DECEMBER 31, 1978	42.7	8,363	362	-136	178	8,044	18,847
JANUARY 31, 1979	42.8	8,433	373	-119	156	8,096	18,917
FEBRUARY 28, 1979	42.7	8,469	395	-140	161	8,094	18,947
MARCH 31, 1979	42.5	8,491	424	-154	137	8,050	18,919
APRIL 30, 1979	42.5	8,503	437	-161	118	8,024	18,893
MAY 31, 1979	43.0	8,551	446	-133	139	8,111	18,857
JUNE 30, 1979	43.0	8,569	452	-140	109	8,086	18,818
JULY 31, 1979	43.1	8,593	465	-96	67	8,099	18,776
AUGUST 31, 1979	43.0	8,618	470	-149	63	8,062	18,735
SEPTEMBER 30, 1979	43.0	8,535	465	-128	90	8,031	18,689
OCTOBER 31, 1979	43.1	8,567	461	-158	101	8,048	18,669
NOVEMBER 30, 1979	42.8	8,508	469	-157	80	7,962	18,599
DECEMBER 31, 1979	42.3	8,456	471	-148	-5	7,833	18,513
JANUARY 31, 1980	41.4	8,409	484	-201	-127	7,597	18,365
FEBRUARY 29, 1980	40.4	8,359	490	-209	-314	7,345	18,177
MARCH 31, 1980	40.0	8,248	487	-162	-398	7,201	18,013
APRIL 30, 1980	39.8	8,183	482	-186	-362	7,154	17,960
MAY 31, 1980	39.2	8,055	496	-195	-375	6,990	17,827
JUNE 30, 1980	38.9	7,938	511	-159	-390	6,878	17,696

Table 4 (cont'd)

Average for One Year, ending as of:	Net Imports (Stock adjusted)/ Product Supplied (%)	Gross Petroleum Imports (mbbl/d)	Petroleum Exports (mbbl/d)	Crude Oil Stock Withdrawal (mbbl/d)	Petroleum Product Stock Withdrawal (mbbl/d)	Net Imports (Stock Adjusted) (mbbl/d)	Petroleum Product Supplied (mbbl/d)
JULY 31, 1980	38.4	7,743	515	-183	-282	6,763	17,600
AUGUST 31, 1980	37.9	7,540	502	-181	-271	6,585	17,397
SEPTEMBER 30, 1980	37.5	7,394	514	-148	-230	6,502	17,331
OCTOBER 31, 1980	37.1	7,198	528	-107	-162	6,401	17,231
NOVEMBER 30, 1980	36.7	7,056	532	-100	-153	6,271	17,099
DECEMBER 31, 1980	36.5	6,909	544	-97	-42	6,225	17,056
JANUARY 31, 1981	36.5	6,759	545	-43	33	6,204	17,020
FEBRUARY 28, 1981	36.1	6,666	546	-41	8	6,087	16,875
MARCH 31, 1981	35.5	6,545	547	-91	35	5,942	16,750
APRIL 30, 1981	35.0	6,427	558	-106	66	5,829	16,632
MAY 31, 1981	34.7	6,358	559	-129	79	5,749	16,557
JUNE 30, 1981	34.7	6,239	539	-146	183	5,737	16,549
JULY 31, 1981	34.6	6,201	543	-184	238	5,713	16,522
AUGUST 31, 1981	34.4	6,165	570	-127	194	5,662	16,480
SEPTEMBER 30, 1981	34.3	6,175	567	-175	187	5,620	16,403
OCTOBER 31, 1981	33.7	6,140	579	-224	159	5,496	16,303
NOVEMBER 30, 1981	33.3	6,085	592	-250	151	5,394	16,212
DECEMBER 31, 1981	32.6	5,996	595	-290	130	5,241	16,058
JANUARY 31, 1982	31.9	5,869	618	-328	142	5,065	15,862
FEBRUARY 28, 1982	31.5	5,718	636	-325	217	4,974	15,786
MARCH 31, 1982	31.4	5,587	661	-262	287	4,951	15,757
APRIL 30, 1982	31.6	5,481	678	-216	405	4,991	15,814
MAY 31, 1982	31.4	5,399	696	-180	431	4,954	15,771
JUNE 30, 1982	31.0	5,390	719	-166	357	4,862	15,681
JULY 31, 1982	30.7	5,396	734	-148	271	4,786	15,608
AUGUST 31, 1982	30.4	5,352	752	-219	352	4,733	15,572
SEPTEMBER 30, 1982	30.1	5,274	774	-174	343	4,669	15,520
OCTOBER 31, 1982	29.6	5,218	791	-156	299	4,571	15,438
NOVEMBER 30, 1982	29.5	5,218	798	-162	288	4,547	15,390
DECEMBER 31, 1982	29.1	5,113	815	-136	283	4,445	15,296
JANUARY 31, 1983	28.4	5,037	827	-145	239	4,304	15,177
FEBRUARY 28, 1983	27.9	4,954	832	-151	230	4,202	15,084
MARCH 31, 1983	27.9	4,887	825	-154	295	4,202	15,082
APRIL 30, 1983	27.3	4,916	827	-184	190	4,094	14,971
MAY 31, 1983	27.2	4,939	831	-188	144	4,065	14,942
JUNE 30, 1983	27.2	4,939	837	-201	162	4,063	14,966
JULY 31, 1983	27.4	4,926	822	-169	163	4,099	14,983
AUGUST 31, 1983	27.6	5,004	806	-199	144	4,144	15,037
SEPTEMBER 30, 1983	27.6	5,063	797	-240	130	4,156	15,077
OCTOBER 31, 1983	27.7	5,059	767	-217	96	4,171	15,086
NOVEMBER 30, 1983	27.7	5,015	758	-175	111	4,193	15,126
DECEMBER 31, 1983	28.4	5,051	739	-214	234	4,332	15,231

Table 4 (cont'd)

Average for One Year, ending as of:	Net Imports (Stock adjusted)/ Product Supplied (%)	Gross Petroleum Imports (mbbl/d)	Petroleum Exports (mbbl/d)	Crude Oil Stock Withdrawal (mbbl/d	Petroleum Product Stock Withdrawal (mbbl/d)	Net Imports (Stock Adjusted) (mbbl/d)	Petroleum Product Supplied (mbbl/d)
JANUARY 31, 1984	29.1	5,129	706	-200	260	4,483	15,401
FEBRUARY 29, 1984	29.1	5,277	683	-160	67	4,500	15,447
MARCH 31, 1984	29.2	5,409	687	-168	-32	4,523	15,487
APRIL 30, 1984	29.2	5,458	674	-181	-67	4,535	15,552
MAY 31, 1984	29.3	5,528	667	-232	-52	4,576	15,642
JUNE 30, 1984	29.3	5,526	675	-230	-36	4,586	15,675
JULY 31, 1984	29.2	5,496	672	-265	25	4,585	15,719
AUGUST 31, 1984	29.2	5,401	677	-176	64	4,611	15,774
SEPTEMBER 30, 1984	29.0	5,322	676	-135	55	4,566	15,759
OCTOBER 31, 1984	29.0	5,365	678	-179	74	4,582	15,815
NOVEMBER 30, 1984	28.9	5,392	692	-202	75	4,572	15,824
DECEMBER 31, 1984	27.9	5,381	722	-196	-83	4,381	15 708
JANUARY 31, 1985	27.7	5,299	740	-166	-52	4,342	15,658
FEBRUARY 28, 1985	28.0	5,166	761	-159	150	4,395	15,704

NOTE: All data, as shown above, may be rounded for clarity. However, all calculations are based on unrounded data.

SOURCE: Data used in preparing the Monthly Energy Review issue dated January 1985 (published in April 1985), obtained from the Monthly Energy Data System (MEDS), Energy Information Administration.

Figure 1 shows total domestic crude oil and natural gas liquids (NGL) production since 1973. Supporting data are provided in Table 1. Total domestic crude oil production rose in 1984 for the third consecutive year, reaching the highest level since 1974. The combined total of crude and NGL production in 1984 was also the highest since 1974, and it has increased every year since 1979. The 1984 production level of 10.390 million barrels per day for crude and NGLs was exceeded in 1973 and 1974 by 0.550 million barrels per day and 0.072 million barrels per day, respectively.

Table 2 shows U.S. rotary rigs in operation from 1973 to 1985 to date. The number of operating rigs has dropped since the peak year of 1981, in which over 1,000 more rigs than in any previous year were recorded. However, the rig count increased from 1983 to 1984 on an annual basis, and the 1984 figure of 2,428 rigs is still above the average for the 1973-1984 period. While the Hughes Tool Company has reported a 23 percent decline in operating rigs from January to April 1985, it would not be correct to conclude from this information that 1985 drilling will be down sharply.

This is consistent with the historical seasonal pattern where the number of active oil and gas rigs peaks in late December and then falls through early Spring. The comparable declines in 1983 and 1984 were 35 percent and 28 percent, respectively. In fact, the most recent weekly rig count (May 13, 1985) shows a slight increase from the week-earlier levels, perhaps indicating a cessation of the seasonal decline.

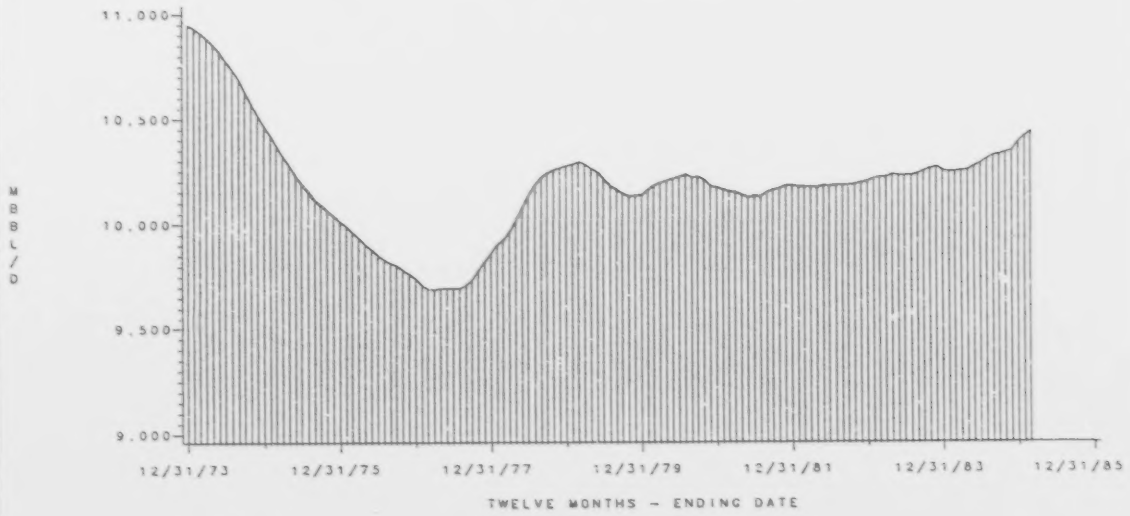
While it is true that the number of rigs recently declined, a look at the number of wells drilled tells a different, more reassuring story. As shown in Table 3, estimated 1984 oil wells completed were the highest ever. As shown in Table 4, between 75,000 and 90,000 total wells were completed in each of the past four years, compared with about 70,000 wells in 1980 and no more than 53,000 wells in any previous year.

Tables 5 and 6 provide data concerning gross and net additions to total U.S. proved crude oil and natural gas reserves. As shown in Table 5, annual gross reserve additions from 1980 to 1983 exceeded additions in every previous year since 1970. Annual net additions to U.S. proved natural gas reserves from 1980 to 1983 exceeded net additions in every year save one since 1970, as shown in Table 6.

FIGURE 1

U.S. TOTAL DOMESTIC PRODUCTION OF CRUDE OIL AND NATURAL GAS PLANT LIQUIDS, 1973–1985

(Rolling Twelve–Month Average)



Source: Data used in preparing the Monthly Energy Review issue dated January 1985 (published in April 1985), obtained from the Monthly Energy Data System (MEDS), Energy Information Administration.

Table 1

U.S. TOTAL DOMESTIC PRODUCTION
OF CRUDE OIL AND NATURAL GAS PLANT LIQUIDS
(1973-1984: By Year--1985: By Month)

	Total Crude Oil Production (mbbl/d)	Total NGL Production (mbbl/d)	TOTAL CRUDE OIL AND NGL PROD. (mbbl/d)
1973	9,208	1,738	10,946
1974	8,774	1,688	10,462
1975	8,375	1,633	10,007
1976	8,132	1,604	9,736
1977	8,245	1,618	9,862
1978	8,707	1,567	10,275
1979	8,552	1,584	10,135
1980	8,597	1,573	10,170
1981	8,572	1,609	10,180
1982	8,649	1,550	10,199
1983	8,688	1,559	10,246
1984	8,757	1,633	10,390
JANUARY 1985	8,929	1,642	10,571
FEBRUARY 1985	8,928	1,629	10,558

NOTE: All data, as shown above, may be rounded for clarity. However, all calculations are based on unrounded data.

SOURCE: Data used in preparing the Monthly Energy Review issue dated January 1985 (published in April 1985), obtained from the Monthly Energy Data System (MEDS), Energy Information Administration.

TABLE 2. U.S. ROTARY RIGS IN OPERATION, 1973-1985 TO DATE

Year	Average Number of Rotary Rigs in Use[a]
1973	1,194
1974	1,472
1975	1,660
1976	1,658
1977	2,001
1978	2,259
1979	2,177
1980	2,909
1981	3,970
1982	3,105
1983	2,232
1984	2,428
1985	
January	2,452
February	2,188
March	1,955
April	1,877

[a]Annual data are not for the exact calendar year but for the 52 or 53 consecutive whole weeks that most nearly coincide with the calendar year. Monthly data are not for the exact calendar month but for the four or five weeks that most nearly coincide with the actual month.

Source: "Rotary Rigs Running-By State," Hughes Tool Company, Houston, Texas.

Table 3. U.S. OIL WELLS DRILLED AND OIL WELL FOOTAGE DRILLED, 1973-1985 TO DATE

Year	Wells Completed (thousands)	Footage Drilled (million feet)
1973	10.25	44.8
1974	13.67	52.1
1975	16.98	66.9
1976	17.68	68.8
1977	18.72	75.3
1978	19.07	76.6
1979	20.73	82.3
1980[a]	32.31	123.6
1981[a]	43.08	169.1
1982[a]	39.46	151.1
1983[a]	37.48	145.0
1984[a]	43.13	161.7
1985[a]		
January	3.48	13.5
February	3.11	11.9

[a]Data for these years are preliminary. The extensive lag in reporting of well completions necessitates the use of estimating procedures for the most recent five years of data. The estimated data are based on an analysis of the observed reporting patterns exhibited by the historical data. The initial data are compiled by the American Petroleum Institute.

Source: Energy Information Administration computations based on well reports submitted to the American Petroleum Institute.

Table 4. U.S. TOTAL WELLS DRILLED (OIL, GAS, DRY) AND TOTAL FOOTAGE DRILLED, 1973-1984 TO DATE

Year	Wells Completed (thousands)	Footage Drilled (million feet)
1973	27.68	139.4
1974	33.06	153.9
1975	38.90	181.2
1976	40.95	187.4
1977	45.91	216.1
1978	50.12	238.7
1979	52.05	244.4
1980[a]	69.90	312.4
1981[a]	90.41	407.7
1982[a]	85.48	380.9
1983[a]	75.03	332.2
1984[a]	85.88	373.4
1985[a]		
January	6.84	30.6
February	5.41	24.2

[a]Data for these years are preliminary. The extensive lag in reporting of well completions necessitates the use of estimating procedures for the most recent five years of data. The estimated data are based on an analysis of the observed reporting patterns exhibited by the historical data. The initial data are compiled by the American Petroleum Institute.

Source: Energy Information Administration computations based on well reports submitted to the American Petroleum Institute.

TABLE 5. GROSS AND NET ADDITIONS TO TOTAL U.S. PROVED CRUDE OIL RESERVES
(Millions of Barrels)

Year	Gross Reserve Additions[b]	Net of Corrections Adjustments & Revisions[c]	Net Reserve Additions[d]	Year-end Reserves
1970[a]	10,600	2,089	12,689	39,001
1971	717	1,600	2,317	38,063
1972	737	820	1,557	36,339
1973	594	1,552	2,146	35,300
1974	683	1,311	1,994	34,250
1975	641	677	1,318	32,682
1976	597	489	1,086	30,942
1977	794	346	1,140	31,780
1978	827	1,756	2,583	31,355
1979	636	774	1,410	29,810
1980	862	2,108	2,970	29,805
1981	1,161	1,409	2,570	29,426
1982	1,031	351	1,382	27,858
1983	924	1,973	2,897	27,735
Cumulative	20,804	17,255	38,059	

[a]Prudhoe Bay Reserves were booked in 1970.
[b]Gross Reserve Additions are sum of New Field Discoveries, New Reservoir Discoveries in Old Fields, and Extensions. Fully equivalent to term "Discoveries."
[c]Algebraic sum of Corrections, Adjustments and Revisions.
[d]Algebraic sum of Gross Reserve Additions and Net of Corrections, Adjustments & Revisions.

Source: Data for years 1970 through 1976 from American Petroleum Institute. Data for years 1977 through 1983 from Energy Information Administration.

TABLE 6. GROSS AND NET ADDITIONS TO TOTAL U.S.
PROVED DRY NATURAL GAS RESERVES
(Billions of Cubic Feet)

Year	Gross Reserve Additions[b]	Net of Corrections Adjustments & Revisions[c]	Net Reserve Additions[d]	Year-end Reserves
1970[a]	37,296	-100	37,196	286,742
1971	11,054	-1,227	9,827	274,492
1972	10,713	-1,078	9,635	261,614
1973	10,299	-3,475	6,824	245,833
1974	10,012	-1,333	8,679	233,194
1975	10,099	383	10,482	223,959
1976	8,753	-1,197	7,556	211,973
1977	14,603	-2,255	12,348	207,413
1978	18,021	1,404	19,425	208,033
1979	14,704	-2,483	12,221	200,997
1980	14,473	2,250	16,723	199,021
1981	17,220	4,226	21,446	201,730
1982	14,455	2,833	17,288	201,512
1983	11,448	3,075	14,523	200,247
Cumulative	203,150	1,023	204,173	

[a] Prudhoe Bay Reserves were booked in 1970.

[b] Gross Reserve Additions are sum of New Field Discoveries, New Reservoir Discoveries in Old Fields, and Extensions. Fully equivalent to term "Discoveries."

[c] Algebraic sum of Corrections, Adjustments and Revisions.

[d] Algebraic sum of Gross Reserve Additions and Net of Corrections, Adjustments & Revisions.

Source: Data for years 1970 through 1976 from American Gas Association. Data for years 1977 through 1983 from Energy Information Administration.

The CHAIRMAN. Those are the things that bother me, because I think you would be among the first to say that there was flexibility in the marketplace, demonstrated as prices grew, consumption declined. And part of it at least was price-related; that is, as prices decline, you can expect consumption to rise if there is flexibility.

Is that not correct as a kind of basic economic law?

Mr. BOGGS. Well, that consumption will be higher than it would have been otherwise at higher prices. I think it's important to remember, though, that there is still an enormous amount of the American capital stock that was put in place at prices of $3 a barrel and $10 a barrel for which today's prices are still much higher.

And frankly, I think that is where the unexpected, to many people, conservation has continued to come from. Last year we had 7 percent economic—growth with about 3 percent growth in oil. This year it looks like we're going to have maybe 3 percent economic—3 or 4 percent economic growth—with probably zero growth in oil. For the first quarter, oil use was down a percent or two. And I would expect that difference, that fairly wide gap to continue for quite some time because we're still a long way from changing from the $3 a barrel oil America of pre-1973 to even a $25 a barrel or $10 or adjusted for inflation of today. It's still a lot higher than it was before 1973, and there's still a lot of changes being made every day.

The CHAIRMAN. Mr. Wendt, you indicated that the IEA had done some adjustments of supplies in the 1979–80 prices. And that startled me a little, because IEA wasn't even triggered in that event.

Were they taking actions outside of the trigger?

Mr. WENDT. Mr. Chairman, the system was not triggered. It was not. But during the oil shock that resulted from the Iran-Iraq war, we didn't have the same result that we did shortly before that with the outbreak of the Iranian revolution. I attribute that at least in part to calming efforts within the IEA—no specific action to allocate oil—but a greater understanding of the situation, buttressed of course by a much better stock position of the member states. What happened was that we avoided the kind of panic buying that occurred at the outbreak of the Iranian revolution, and ended up with a much better result.

The CHAIRMAN. You're distinguishing in the very narrow timeframe between that which was at the outbreak of the revolution and because the price went from an average of $17 a barrel to over $30 a barrel in that period of time.

Mr. WENDT. The big run-up came following the Iranian revolution. When there was a subsequent shock in the form of the outbreak of the Iran-Iraq war, countries that were members of the IEA reacted much more calmly. To cite a very specific example, the Japanese, who really engaged in a lot of buying on the spot market in 1979 when the Iranian revolution broke out, did not respond the same way after the outbreak of the war between Iran and Iraq.

The CHAIRMAN. They perhaps measured quite accurately that the fall of the Shah was more important to oil supplies, in the short term at least, than the war between Iran and Iraq.

Mr. WENDT. Whatever the reason, I think they felt that there was no cause to rush to the spot market as they had in 1979. This was due in part to informal consultations within the IEA.

The CHAIRMAN. Well, whatever the reason may have been, I just want to get the record straight, as clearly as we could, that as a matter of fact IEA has not been triggered.

Mr. WENDT. That's right.

The CHAIRMAN. And whether it be the fall of the Shah or the war between the two nations, IEA may have had some discussions but they took no actions.

Mr. WENDT. The IEA took no action, but there was discussion of the situation. There were mutual exhortations.

Our assessment is that the IEA discussions had a calming effect on the market, and we consider that one of the virtues of the IEA. It can have an impact without to triggering the allocation system.

The CHAIRMAN. Well, I was amazed at how little effect the so-called naval war, the war against shipping in the gulf, has had upon price. When that first started, if I recall correctly, the spot market price went up about 40 cents a barrel for about 2 weeks and then dropped back down.

I stand corrected if those figures aren't right, but at least there was very minimal market response and it quickly dissipated. But that was in the face of world supplies that remained more than adequate to meet demand.

I would submit, too, that it was partly because we have a strategic petroleum reserve and an expressed willingness to use it if necessary to meet any kind of world crisis, although the administration has been very careful to try to distinguish between simple economic pressure on the marketplace and response to prices in the marketplace with respect to SPRO.

I think that's a distinction that's hard to express and seemingly impossible for some to grasp, but I think an important distinction.

But in that regard, during the last Congress, the administration proposed legislation that provided discretionary authority for a test drawdown of this strategic petroleum reserve.

Does the administration still believe that a test drawdown should be conducted?

Mr. BOGGS. Senator, we do not at this time. I think the changes that have occurred primarily have been that the reports by the National Petroleum Council indicating basically that the system is workable, we believe enhance credibility that the system has had, we think have obviated some of that need for a test.

When we thought about it last year, it was the sort of thing that if it was costless to do it, obviously carrying out a successful test helps enhance the credibility of the system, helps you to perhaps learn some things. On the other hand, as we got into it, we found that there were some very definite downsides. The primary one is that a system that is designed to inject oil into the market in an emergency is not very well designed for selling oil into a nondisrupted market.

You have a market in which everyone else is selling oil for the purpose of making money, and you're trying to sell oil for some other purpose. And we believe that it was quite likely that the Government could suffer a significant loss. Some of the bills that have

been proposed have said, well, then don't sell it if the price turns out to be less than 90 percent of the market. Then you turn out to have cranked out a big effort and it has, "failed" because people don't want your oil in a nondisrupted situation at that price, and then you may have harmed the credibility compared to what you had to start with.

We believe that the credibility of the system is high and that the cost and difficulties of trying to do a significant sale are just not appropriate.

The CHAIRMAN. If the condition should change, or your judgment about the condition should change to the point where you think it desirable to conduct such a test, would the administration need additional statutory authority to conduct such a test?

Mr. BOGGS. For a sale type test, we would. And I think if our judgment were to change, we would certainly be willing to ask for it because we recognize at least the potential virtues. Our current judgment is there are potential vices as well and they currently outweigh it.

The CHAIRMAN. Let me ask just one other question. I think Senator Ford has one or two more.

Let me just make a statement and then explore it for just a moment. As you are aware under current law, if the strategic petroleum reserve has less than 500 million barrels in storage, or is being filled at less than 100,000 barrels per day, there is a bar on the sale of production from Elk Hills, the Navy Petroleum Reserve. Current production from Elk Hills is about 120,000 barrels per day, of which 26,000 are owned by Chevron and the other 94,000 are the U.S. share.

Federal revenues from the private sale of this U.S. share are approximately $1.1 billion per year. If Congress agreed with the SPRO moratorium proposed by the administration and with no cessation of purchases in fiscal year 1985, there would only be 489 million barrels in storage. Would the Federal Government under that provision of law be barred from the sale of U.S. share of Elk Hill oil production?

Mr. BOGGS. It's our belief that if there were no other changes made in law as part of that process, it would be barred. It is our desire and our belief that if we come out of this process with Congress agreeing that there should not be additional fill for the fiscal year 1986, that there could be a change in law and there should be a change in law that would allow the NPR production to continue.

The CHAIRMAN. So you would think that any action taken by this committee, or the Appropriations Committee, that would cause us to suspend purchases at below 500 million barrels, we would need to have an additional statutory change to remove that bar?

Mr. BOGGS. Without taking a position on exactly in what piece of legislation, in what manner, Mr. Chairman, there certainly should be some type of change.

The CHAIRMAN. Senator Ford.

Senator FORD. Thank you, Mr. Chairman.

I'd like to announce that the Democrats who were unable to be here are also attending other very important meetings.

The CHAIRMAN. Probably.

Senator FORD. Sir?

The CHAIRMAN. Probably.

Senator FORD. Probably. Well, that is my information, Mr. Chairman. Until I find out otherwise, my statement stands.

It's as probable as the Republicans. [Laughter.]

The CHAIRMAN. Probably.

Senator FORD. Probably. We're going to get a new buzz word here.

Senator Wallop asked a very interesting question a few moments ago, and it brought some thought to mind. That's the only reason I'm getting back to the question and waiting my turn.

I believe both of you said that the OPEC countries were cheating a little bit, but not much, but basically keeping it at 16 million barrels per day. Am I correct in that statement?

I think you said 16 million and Mr. Wendt said they were cheating. Some of them have been found cheating just a little bit, but not appreciably.

Mr. WENDT. Senator, it is always difficult to know with certainty exactly what is going on, but there probably are a few countries in OPEC that are trying through various means to circumvent their quotas.

Senator FORD. Aren't at least two of those countries trying to get around the limit on production?

Mr. WENDT. I would say that is what they are trying to do. They are trying to sell somewhat more oil than their OPEC quotas would permit them to sell, and they do that by resorting to various techniques that in effect discount the price.

Senator FORD. Well, the point I'm getting to, though, and the path I'm trying to lead you down is the products they're producing. They are producing a tremendous amount of products, the Saudis and the Kuwaitis, which they are still under the production limit and show them under the limit, but aren't they in fact manufacturing products that they're beginning to flood this country with?

Mr. BOGGS. First, it's certainly true that the sale of refined products is one of a number of techniques that countries might try to use as a means of cheating on their quotas, although the quotas, at least by their purport, include them.

The question of exactly how much oil product is actually coming into the United States from OPEC countries or other countries, we could provide specific data on it, but our indications are that total U.S. imports of refined products have not increased substantially, have not increased anywhere near to the levels that they were earlier.

What has happened is there has been a shift from heavy products, from heavy fuel oil toward products such as gasoline and light fuel oil. But we could provide the specific numbers on what U.S. imports have been.

Gasoline has primarily been coming from Venezuela as the leading producer, and from a very wide spread of other countries. I don't think you can identify a very large percentage of, say, gasoline coming, let us say, from Saudi Arabia or Kuwait, but they are putting more out into the world market and it has a depressing effect on the world market, just as any other oil production does.

Senator FORD. Well, heavy fuel was not necessarily coming from the Saudis and the Kuwaitis as I understand it. And I would like to have your figures.

Mr. BOGGS. OK.

[The information requested follows:]

U.S. net imports of petroleum products, stock-adjusted, accounted for 8.9% of total domestic product supplied for the 12 months ending February 1985. As shown in Figure 1, this measure of U.S. import dependence is down significantly from 14.4% in the twelve months ending February 1974 and April 1974, while somewhat above the recent low of 6.6% for the twelve months ending June 1980.

Figures 2 and 3 show gross and net U.S. imports of petroleum product supplied since 1973. For the twelve months ending February 1985, gross product imports -- the most expansive measure of import levels -- accounted for 11.7% of domestic product supplied, compared with 17.5% for the twelve months ending February 1974. On a net basis (imports less exports), U.S. imports of petroleum products were 10.7% of total domestic product supplied for the twelve months ending February 1985, well below the peak of 16.1% reached in the twelve months ending February 1974. Supporting data for Figures 1,2, and 3 are provided in Table 1.

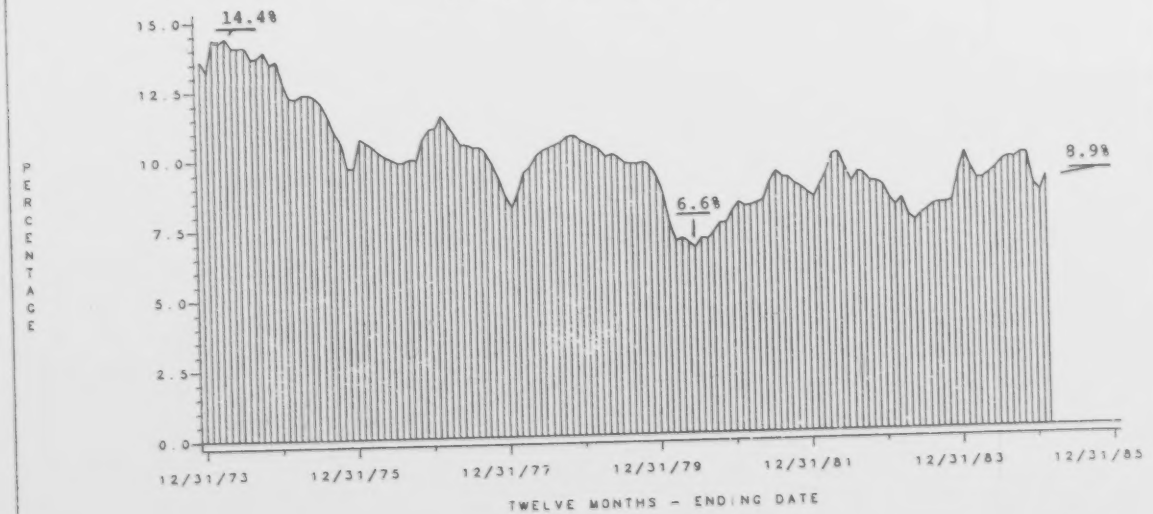
Table 2 provides U.S. petroleum product imports as a percentage of world petroleum product exports. While from 1973 to 1978 the United States imported between a quarter and a third of all international product exports, the U.S. has imported between 18 and 19 percent of world product exports in four out of the past five years.

Table 3 provides U.S. imports of petroleum products by country of origin. While total imports of residual fuel oil have fallen about 126,000 barrels per day since 1981, imports of gasoline and gasoline blending components have increased by 189,000 barrels per day over the same period.

FIGURE 1

U.S. NET IMPORTS OF PETROLEUM PRODUCTS (STOCK-ADJUSTED) AS A PERCENTAGE OF TOTAL DOMESTIC PETROLEUM PRODUCTS SUPPLIED, 1973-1985

(Rolling Twelve-Month Average)

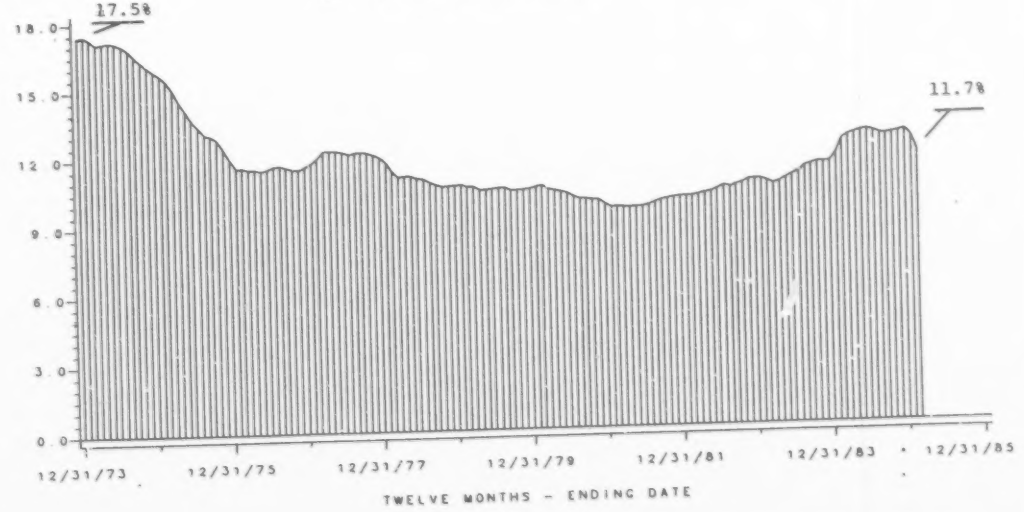


Source: Data used in preparing the Monthly Energy Review issue dated January 1985 (published in April 1985), obtained from the Monthly Energy Data System (MEDS), Energy Information Administration.

FIGURE 2

U.S. GROSS IMPORTS OF PETROLEUM PRODUCTS AS A PERCENTAGE OF TOTAL DOMESTIC PETROLEUM PRODUCTS SUPPLIED, 1973–1985

(Rolling Twelve–Month Average)

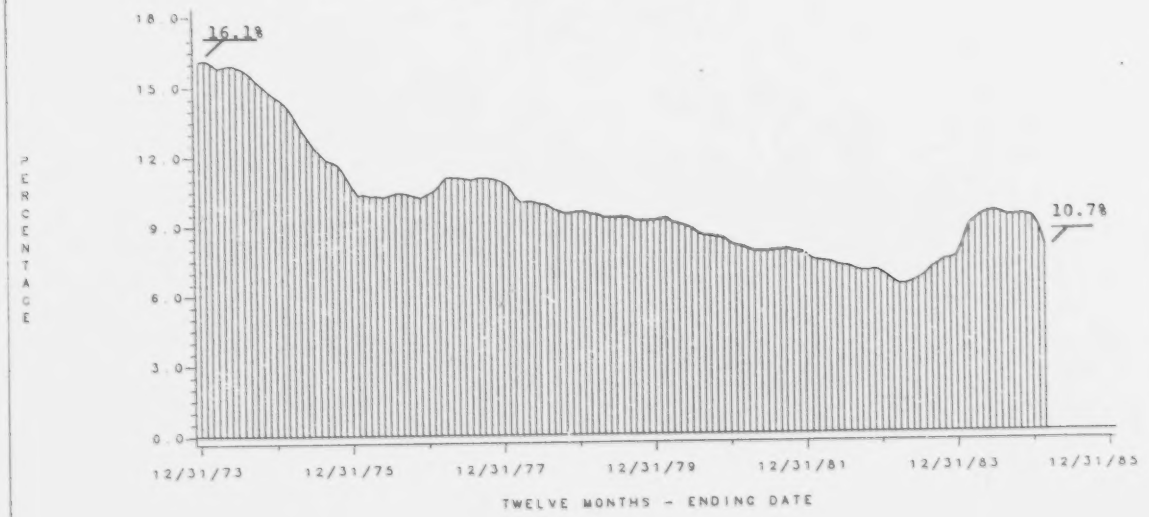


Source: Data used in preparing the Monthly Energy Review issue dated January 1985 (published in April 1985), obtained from the Monthly Energy Data System (MEDS), Energy Information Administration.

FIGURE 3

U.S. NET IMPORTS OF PETROLEUM PRODUCTS AS A PERCENTAGE OF TOTAL DOMESTIC PETROLEUM PRODUCTS SUPPLIED, 1973–1985

(Rolling Twelve-Month Average)



Source: Data used in preparing the Monthly Energy Review issue dated January 1985 (published in April 1985), obtained from the Monthly Energy Data System (MEDS), Energy Information Administration.

Table 1

U.S. NET IMPORTS OF PETROLEUM PRODUCTS
(STOCK-ADJUSTED) AS A PERCENTAGE OF
TOTAL DOMESTIC PETROLEUM PRODUCTS SUPPLIED
(Rolling Twelve-Month Average)

Average for One Year, ending as of:	Petroleum Product Net Imports (Stock adjusted)/ Product Supplied (%)	Gross Petroleum Product Imports (mbbl/d)	Petroleum Product Exports (mbbl/d)	Petroleum Product Stock Withdrawal (mbbl/d)	Petroleum Product Supplied (mbbl/d)
DECEMBER 31, 1973	13.6	3,012	229	-431	17,308
JANUARY 31, 1974	13.2	3,001	228	-506	17,187
FEBRUARY 28, 1974	14.4	2,950	222	-280	17,054
MARCH 31, 1974	14.3	2,896	220	-257	16,959
APRIL 30, 1974	14.4	2,909	217	-247	16,960
MAY 31, 1974	14.1	2,906	218	-313	16,884
JUNE 30, 1974	14.1	2,887	220	-298	16,854
JULY 31, 1974	14.1	2,867	221	-274	16,852
AUGUST 31, 1974	13.6	2,819	224	-307	16,771
SEPTEMBER 30, 1974	13.7	2,763	218	-257	16,719
OCTOBER 31, 1974	13.9	2,718	218	-175	16,706
NOVEMBER 30, 1974	13.4	2,666	217	-215	16,612
DECEMBER 31, 1974	13.6	2,635	218	-157	16,653
JANUARY 31, 1975	12.7	2,622	219	-274	16,714
FEBRUARY 28, 1975	12.2	2,574	220	-311	16,692
MARCH 31, 1975	12.2	2,511	221	-255	16,710
APRIL 30, 1975	12.4	2,425	216	-142	16,720
MAY 31, 1975	12.3	2,352	213	-83	16,671
JUNE 30, 1975	12.2	2,276	212	-28	16,630
JULY 31, 1975	12.0	2,218	206	-25	16,578
AUGUST 31, 1975	11.5	2,157	203	-55	16,515
SEPTEMBER 30, 1975	10.9	2,145	205	-134	16,494
OCTOBER 31, 1975	10.6	2,109	203	-164	16,437
NOVEMBER 30, 1975	9.7	2,023	201	-245	16,307
DECEMBER 31, 1975	9.7	1,951	204	-173	16,322

Table 1 (cont'd)

Average for One Year, ending as of:	Petroleum Product Net Imports (Stock adjusted)/ Product Supplied (%)	Gross Petroleum Product Imports (mbbl/d)	Petroleum Product Exports (mbbl/d)	Petroleum Product Stock Withdrawal (mbbl/d)	Petroleum Product Supplied (mbbl/d)
JANUARY 31, 1976	10.7	1,891	200	66	16,377
FEBRUARY 29, 1976	10.6	1,904	202	30	16,412
MARCH 31, 1976	10.4	1,894	200	25	16,496
APRIL 30, 1976	10.2	1,905	203	-16	16,547
MAY 31, 1976	10.0	1,899	201	-28	16,616
JUNE 30, 1976	9.9	1,927	200	-65	16,716
JULY 31, 1976	9.8	1,955	205	-102	16,789
AUGUST 31, 1976	9.9	1,964	205	-97	16,860
SEPTEMBER 30, 1976	10.0	1,959	204	-66	16,948
OCTOBER 31, 1976	9.9	1,951	204	-64	17,008
NOVEMBER 30, 1976	10.7	1,977	216	82	17,260
DECEMBER 31, 1976	11.0	2,026	215	115	17,461
JANUARY 31, 1977	11.1	2,068	217	99	17,618
FEBRUARY 28, 1977	11.5	2,131	212	136	17,847
MARCH 31, 1977	11.2	2,193	211	17	17,917
APRIL 30, 1977	10.8	2,201	210	-45	17,991
MAY 31, 1977	10.4	2,210	211	-110	18,076
JUNE 30, 1977	10.4	2,212	212	-103	18,176
JULY 31, 1977	10.3	2,206	208	-117	18,257
AUGUST 31, 1977	10.4	2,236	207	-128	18,374
SEPTEMBER 30, 1977	10.1	2,244	207	-169	18,446
OCTOBER 31, 1977	9.7	2,245	207	-244	18,508
NOVEMBER 30, 1977	9.2	2,220	196	-331	18,475
DECEMBER 31, 1977	8.6	2,193	193	-424	18,431
JANUARY 31, 1978	8.2	2,148	191	-451	18,368
FEBRUARY 28, 1978	8.7	2,072	193	-287	18,400
MARCH 31, 1978	9.4	2,043	196	-102	18,529
APRIL 30, 1978	9.6	2,060	199	-82	18,543
MAY 31, 1978	10.0	2,065	198	2	18,650
JUNE 30, 1978	10.2	2,046	197	51	18,658
JULY 31, 1978	10.3	2,039	196	83	18,673
AUGUST 31, 1978	10.4	2,012	199	136	18,727

Table 1 (cont'd)

Average for One Year, ending as of:	Petroleum Product Net Imports (Stock adjusted)/ Product Supplied (%)	Gross Petroleum Product Imports (mbbl/d)	Petroleum Product Exports (mbbl/d)	Petroleum Product Stock Withdrawal (mbbl/d)	Petroleum Product Supplied (mbbl/d)
SEPTEMBER 30, 1978	10.5	1,999	201	169	18,746
OCTOBER 31, 1978	10.7	1,987	204	225	18,797
NOVEMBER 30, 1978	10.7	2,004	204	222	18,856
DECEMBER 31, 1978	10.5	2,008	204	178	18,847
JANUARY 31, 1979	10.4	2,019	209	156	18,917
FEBRUARY 28, 1979	10.3	1,997	208	161	18,947
MARCH 31, 1979	10.2	2,001	211	137	18,919
APRIL 30, 1979	9.9	1,965	210	118	18,893
MAY 31, 1979	10.0	1,968	216	139	18,857
JUNE 30, 1979	9.9	1,971	218	109	18,818
JULY 31, 1979	9.7	1,972	223	67	18,776
AUGUST 31, 1979	9.6	1,965	222	63	18,735
SEPTEMBER 30, 1979	9.6	1,933	223	90	18,689
OCTOBER 31, 1979	9.7	1,940	227	101	18,669
NOVEMBER 30, 1979	9.6	1,931	232	80	18,599
DECEMBER 31, 1979	9.2	1,937	236	-5	18,513
JANUARY 31, 1980	8.5	1,934	237	-127	18,365
FEBRUARY 29, 1980	7.5	1,924	239	-314	18,177
MARCH 31, 1980	6.8	1,870	239	-398	18,013
APRIL 30, 1980	7.0	1,856	240	-362	17,960
MAY 31, 1980	6.8	1,826	241	-375	17,827
JUNE 30, 1980	6.6	1,804	245	-390	17,696
JULY 31, 1980	7.0	1,758	250	-282	17,600
AUGUST 31, 1980	6.9	1,725	251	-271	17,397
SEPTEMBER 30, 1980	7.1	1,720	251	-230	17,331
OCTOBER 31, 1980	7.5	1,704	255	-162	17,231
NOVEMBER 30, 1980	7.5	1,689	256	-153	17,099
DECEMBER 31, 1980	7.9	1,646	258	-42	17,056
JANUARY 31, 1981	8.2	1,621	257	33	17,020
FEBRUARY 28, 1981	8.0	1,618	268	8	16,875
MARCH 31, 1981	8.1	1,597	279	35	16,750

Table 1 (cont'd)

Average for One Year, ending as of:	Petroleum Product Net Imports (Stock adjusted)/ Product Supplied (%)	Gross Petroleum Product Imports (mbbl/d)	Petroleum Product Exports (mbbl/d)	Petroleum Product Stock Withdrawal (mbbl/d)	Petroleum Product Supplied (mbbl/d)
APRIL 30, 1981	8.2	1,582	290	66	16,632
MAY 31, 1981	8.3	1,583	292	79	16,557
JUNE 30, 1981	8.9	1,580	292	183	16,549
JULY 31, 1981	9.3	1,589	294	238	16,522
AUGUST 31, 1981	9.0	1,606	311	194	16,480
SEPTEMBER 30, 1981	9.0	1,614	318	187	16,403
OCTOBER 31, 1981	8.8	1,611	337	159	16,303
NOVEMBER 30, 1981	8.7	1,608	351	151	16,212
DECEMBER 31, 1981	8.5	1,599	367	130	16,058
JANUARY 31, 1982	8.3	1,578	398	142	15,862
FEBRUARY 28, 1982	8.7	1,571	408	217	15,786
MARCH 31, 1982	9.2	1,580	424	287	15,757
APRIL 30, 1982	9.8	1,596	443	405	15,814
MAY 31, 1982	9.9	1,598	465	431	15,771
JUNE 30, 1982	9.4	1,607	491	357	15,681
JULY 31, 1982	8.8	1,617	508	271	15,608
AUGUST 31, 1982	9.2	1,601	518	352	15,572
SEPTEMBER 30, 1982	9.1	1,613	541	343	15,520
OCTOBER 31, 1982	8.8	1,618	553	299	15,438
NOVEMBER 30, 1982	8.8	1,634	562	288	15,390
DECEMBER 31, 1982	8.7	1,625	579	283	15,296
JANUARY 31, 1983	8.2	1,611	601	239	15,177
FEBRUARY 28, 1983	8.0	1,583	609	230	15,084
MARCH 31, 1983	8.3	1,566	615	295	15,082
APRIL 30, 1983	7.6	1,572	624	190	14,971
MAY 31, 1983	7.4	1,591	626	144	14,942
JUNE 30, 1983	7.7	1,613	628	162	14,966
JULY 31, 1983	7.8	1,632	621	163	14,983
AUGUST 31, 1983	8.0	1,678	615	144	15,037
SEPTEMBER 30, 1983	8.0	1,689	607	130	15,077
OCTOBER 31, 1983	8.0	1,704	588	96	15,086
NOVEMBER 30, 1983	8.1	1,704	586	111	15,126
DECEMBER 31, 1983	9.1	1,722	575	234	15,231

Table 1 (cont'd)

Average for One Year, ending as of:	Petroleum Product Net Imports (Stock adjusted)/ Product Supplied (%)	Gross Petroleum Product Imports (mbbl/d)	Petroleum Product Exports (mbbl/d)	Petroleum Product Stock Withdrawal (mbbl/d)	Petroleum Product Supplied (mbbl/d)
JANUARY 31, 1984	9.8	1,794	538	260	15,401
FEBRUARY 29, 1984	9.3	1,890	522	67	15,447
MARCH 31, 1984	8.9	1,924	520	-32	15,487
APRIL 30, 1984	8.9	1,948	501	-67	15,552
MAY 31, 1984	9.1	1,970	499	-52	15,642
JUNE 30, 1984	9.2	1,982	500	-36	15,675
JULY 31, 1984	9.5	1,971	500	25	15,719
AUGUST 31, 1984	9.6	1,959	504	64	15,774
SEPTEMBER 30, 1984	9.6	1,956	504	55	15,759
OCTOBER 31, 1984	9.7	1,973	506	74	15,815
NOVEMBER 30, 1984	9.7	1,982	519	75	15,824
DECEMBER 31, 1984	8.6	1,979	541	-83	15,708
JANUARY 31, 1985	8.4	1,925	560	-52	15,658
FEBRUARY 28, 1985	8.9	1,830	578	150	15,704

NOTE: All data, as shown above, may be rounded for clarity. However, all calculations are based on unrounded data.

SOURCE: Data used in preparing the Monthly Energy Review issue dated January 1985 (published in April 1985), obtained from the Monthly Energy Data System (MEDS), Energy Information Administration.

Table 2

U.S. Petroleum Product Imports
as Percent of World
Petroleum Product Exports

	World Petroleum Product Exports (MMBD)	U.S. Petroleum Product Gross Imports (MMBD)	U.S. Imports as Percent of World Exports
1973	9.1	3.0	33
1974	8.5	2.6	31
1975	7.4	2.0	26
1976	7.8	2.0	26
1977	8.3	2.2	26
1978	8.4	2.0	24
1979	8.4	1.9	23
1980	8.7	1.6	19
1981	8.5	1.6	19
1982	9.1	1.6	18
1983	9.4 (est.)	1.7	18
1984	9.6 (est.)	2.0	21
1985 (Jan-Mar)	9.5 (est.)	1.7	18

TABLE 3

U.S. Imports of Petroleum Products by Source
(thousand barrels per day)

	Total Products				Motor Gasoline				Residual Fuel Oil			
	1981	1982	1983	1984	1981	1982	1983	1984	1981	1982	1983	1984
Virgin Islands	327	316	282	294	55	60	55	49	145	122	118	133
Venezuela	259	257	258	288	1	8	41	56	215	204	154	116
Canada	283	268	273	286	16	20	26	18	39	24	27	26
Netherlands Antilles	197	175	189	185	4	6	5	19	168	140	122	119
Algeria	50	80	64	126	0	1	0	2	42	72	49	57
Mexico	53	40	60	86	0	0	9	21	31	21	49	9
Bahamas	74	65	125	86	0	0	1	1	34	34	34	23
Netherlands	30	35	63	61	17	26	36	27	3	4	5	4
Brazil	9	28	39	60	2	10	18	28	9	18	20	30
Romania	7	6	29	43	6	5	22	28	0	0	1	1
Puerto Rico	62	50	40	42	26	18	14	13	2	1	0	0
Indonesia	48	23	23	39	8	6	5	4	31	9	14	16
China	18	33	28	30	2	28	26	27	0	0	0	0
United Arab Emirates	5	11	12	27	0	6	2	8	0	0	2	6
United Kingdom	6	14	18	24	1	4	4	12	1	4	11	2
Peru	4	16	23	18	0	0	0	0	4	16	20	14
Saudi Arabia	17	22	16	16	1	2	1	4	0	2	6	3
Australia	5	5	4	13	0	0	0	3	2	3	2	5
Kuwait	0	3	6	12	0	1	0	0	0	1	4	11
Spain	1	3	2	11	0	0	0	4	1	3	1	3
Equador	10	10	5	9	0	0	0	0	10	10	5	9
Nigeria	9	4	1	8	0	0	0	0	9	4	1	3
Trinidad & Tobago	31	20	13	7	2	1	0	0	20	16	10	5
All others	94	141	149	209	40	37	29	46	34	67	74	79
Total	1,599	1,625	1,722	1,979	181	239	294	370	800	775	699	674
Total Consumption	16,058	15,296	15,231	15,707	6,588	6,539	6,622	6,698	2,088	1,716	1,421	1,365

Senator FORD. We've some independents who are being damaged considerably by this, and if my information is correct—and I'd like you to refute it or substantiate it—that gasoline is now being shipped to the west coast based on $1 more per barrel than you could buy crude, and it basically costs about $3.50 in this country to refine one barrel of crude.

Now, if that's true, and the lighter oils are coming and the Saudis' major refinery, in cooperation with American corporations, is just coming on line or has just been placed on line we will feel that, I suspect. So we are seeing them getting around the so-called OPEC quota which both you gentlemen think that they're within reasonable limits of. You have no real fear or question of what they're doing.

But here's one way they could get way out, particularly the Saudis and the Kuwaitis as it relates to gasoline and lighter oils.

Mr. WENDT. Senator, as Mr. Boggs noted, the product exports from OPEC countries are supposed to be included under their quota. I think what may happen is that in selling the products, they may undercut OPEC prices, because they will sell the products at whatever price the market will bring, which may well be under comparable crude prices. So they tend to undercut their own pricing structure.

But those product exports are supposed to be included in their overall quota. I can provide you now with a few figures related to U.S. product imports. They were 1.6 million barrels a day [mbd] in 1981 and just under 2 mbd in 1984. In terms of product imports as a percentage of consumption, there has been a steady increase: from 9.9 percent in 1981 to 12.7 percent in 1984.

Senator FORD. Why did you skip 1983?

Mr. WENDT. I was just trying to cite the last year for which we have data.

Senator FORD. That's to 1984?

Mr. WENDT. Yes.

Senator FORD. What is 1983?

Mr. WENDT. I do not know. I happen to have figures here for 1981 and 1984 that show how much product imports have increased during that period.

Senator FORD. Well, aren't they up in 1984 over 1983?

Mr. WENDT. Presumably they are; I just don't happen to have those figures.

Senator FORD. I have them. I just happen to have them here. I think this is the Monthly Energy Review, Energy Information Administration.

Would that be where you would get your information?

Mr. BOGGS. Basically. Plus we might be a month ahead of that publication because it takes a while to come out. But that would basically be the source. There's another source called Petroleum Supply Monthly which gives you a breakdown by countries, and we can provide that as well.

The CHAIRMAN. Would you, in doing that, make an attempt to break out of the figures what really happens in terms of finished product import where they're bringing in under a tariff loophole

one product, which is then changed in this country to be marketed in the gasoline market?

Mr. BOGGS. Right. We do not collect on the tariff basis anyway, so we wouldn't be put off by that part of it. But we have done some analysis and we separate gasoline, gasoline blending components, and then we have a category of unfinished oils and other products, and we have some analysis, not perfect, but some analysis of how much of those kinds of products might be going into gasoline.

We're aware of that problem and we will provide you with our best information on it.

[The information requested follows:]

With respect to the definition of gasoline imports, it appears that some refined petroleum products coming into the U.S. under certain tariff classifications, such as naptha, may end up in the gasoline market after some further blending or processing. A recent International Trade Commission study, submitted last month to the Senate Finance Committee and the House Committee on Ways and Means, describes this situation in detail. While a certain amount of blending or further processing of closely comparable petroleum products leading to reclassification normally takes place within the industry in response to changing market circumstances for particular products, U.S. tariff schedules may provide incentives to classify some imported products intended for eventual use as gasoline in other product groupings subject to lower tariffs.

In 1984, (using preliminary EIA data) imports of gasoline and blending components averaged 370,000 barrels per day. In addition 196,000 barrels per day of gasoline range natural gas liquids, napthaas for petrochemical use, and special napthas, as well as 230,000 barrels per day of unfinished oils were imported, for a total of 426,000 barrels per day of "unfinished oils and other gasoline range product." If all volumes of the commodities listed above were converted to gasoline, the corresponding import level (the outer limit) would be 796,000 barrels per day.

A more likely approximation would be to assume that only the growth in imports since 1981 of the above listed products were transformed into gasoline. In that event, an estimate of 605,000 barrels per day would result, of which 235,000 barrels per day would be unfinished oil and other gasoline range product. This would imply that no growth in petrochemical feedstock imports, solvents, cleaning fluids, etc. occurred during the recent period of economic growth and industrial recovery.

It is the view of some analysts that a number around 500,000 barrels per day is even more likely, of which about 130,000 barrels per day would be unfinished oils and other gasoline range product.

Senator FORD. There is a trend of increases from 1981 through 1984. That trend is, however, not significant, but it increases about 100 million barrels and then 200 million, then 300 million. So it's beginning to be a significant amount on the trend line as it relates to petroleum products and there is no downward trend as it relates to consumption of crude oil. That continues to go up also.

Mr. WENDT. I think that the crude imports are roughly the same in the first 3 months, 2 or 3 months of 1985 as they were in 1984. Maybe slightly higher, but the difference——

Senator FORD. No; they're slightly lower.

Mr. WENDT. Slightly lower.

Senator FORD. Yes.

The CHAIRMAN. I might just—if you can provide that for the record, we would appreciate it. I might just note, however, in addition to that, that the Subcommittee on Energy Regulation and Conservation is going to hold a hearing on that subject on June 4 for those who wish more information and more detailed information.

Senator FORD. Well, Mr. Chairman, the point here that bothers me—and I try to represent my State—and we have a large independent in our State that is very, very concerned about what's happening. The independents are joining together, and it's just awful hard for a small to beat big, because big can go to other countries and begin a cooperative venture and do lots of things.

I see another trend. I think if you go back to the record 4 or 5 years ago, you find where the majors are beginning to divide up the country. And you find even in the last few weeks that a certain major—Arco—is moving out all of its stations and they're concentrating. You find Texaco in one place and Gulf in another and Chevron in another one. They're beginning to divide up the country.

And it's been moving at a steady pace, and that trend bothers me also when we are eliminating competition. The only competition a major is going to have in those general areas will be the independents as such.

As Senator Metzenbaum said a few moments ago, gasoline in the last few days has gone up 6 cents a gallon. We don't see anything glaring in the paper about that because it hasn't really been significant. But you take high-test in Maryland where it is—full service is roughly $1.60, $1.59.9. So we don't see the prices reducing, and the gentleman who is going to take over the information area said if you have a glut on the market it's overpriced. And if you have a shortage—let's see—if you have a glut on the market it's overpriced; and if you have a shortage it's underpriced.

Now, that's very difficult for me to understand. I thought the economy had to play a part in whether—if you need it, you have to use it. If you don't need it, you don't use it. The economy in the last 2 or 3 years has at one point been down to 69 percent of industrial production. So energy all across the board has been reduced.

Even that reflects back in the beating of the drums of how great we've conserved. So when you're 69 percent, now at about 80, you're up about 11 points, and you see that imports begin to increase based on how the economy may be moving back, hopefully, to full production.

Mr. WENDT. Senator, may I make a point for the record? The question of increased product imports is of concern to a number of countries in the International Energy Agency. And the issue has been discussed there.

The United States has taken the position that protectionist measures should be avoided. We have encouraged other countries to avoid any steps that would tend to shift the burden of increased product imports to other countries. And where there are restrictions, we have encouraged countries to liberalize. The burden of increased product imports in the IEA countries as a whole should be shared and not fall unduly on any one country.

Senator FORD. Well, I know it's very difficult to try to balance import/export between the countries, but it seems that our rules that we play by here are somewhat different than others play by. And I suspect if you want to go outside the International Energy Agency, that those countries basically will play by their own rules. And we find ourselves being the only real world market. Everything is coming here.

And we find that, I think in the Congress, and I believe the trend of the thinking of a lot of Members of Congress as a result of the pressure from their constituency, are beginning to lean a little toward protectionism. It is an unhealthy sign, and I regret it very much.

But when you look—and I'll just take tobacco and get as far away from oil as you can—Canada is the second largest surplus trader with us. Our deficit with them is about $20 billion. Japan's is about $37 billion. But Canada's tobacco sold in the United States is somewhat cheaper, in fact a whole lot cheaper than the tobacco sold within the borders of Canada. The Government is subsidizing to help to displace the farmers in this country.

That becomes a very, very significant situation as it relates to me personally and the State I represent. So I think that factor would factor into maybe all States and to all the problems—automobiles, Japan, you begin to name it. Look at $123 billion trade deficit last year and Secretary Baldrige says it's going to be much, much higher this year.

We're looking at displacement of American jobs. Then we begin to look at the products in a refinery, and you can put gasoline on the west coast for a dollar more a barrel than you are suppose to pay for crude, because basically the world consumption is about 900 billion gallons annually.

Am I correct in that? 1984, about 900 billion gallons? Not barrels.

Mr. BOGGS. I don't have the figure——

Senator FORD. You don't have the figure of the world consumption of oil?

Mr. BOGGS. Of all types of oil products, yes, that's about right

Senator FORD. And that's about 25 to 30 percent of known reserves, and we're beginning to—we've used about that much. I'm sorry. We've used about 25 to 30 percent of all known reserves, and we're looking at about 50 years of sustained consumption. If the consumption goes up, that could reduce the outyears.

We've some real problems we need to look at and to face. And we're not facing them at a time, I think, we could probably get more bang for our buck.

I was listening very intently a while ago when Senator Metzenbaum was easing toward the support of synthetic fuels.

Mr. BOGGS. I don't think he got there yet.

Senator FORD. I know, but we may quote him, quote it back to him.

Mr. Chairman, I enjoyed it and I appreciate the witnesses staying so long.

The CHAIRMAN. Senator Ford, thank you for your line of questioning.

I wonder if you could also, without extensive research, give us some estimate of the impact of imported product upon the domestic refinery capacity. We know that a lot of refineries came on—I shouldn't say a lot—but refinery capacity increased during the 1970's and 1980's. We also know that they changed as they had to deal with different types of oils. We also know that some refinery capacity is being shut down now because of the decline in domestic consumption and some will say because of the pressure of imported finished products.

I think that might be helpful to us in the record on emergency preparedness that that statement be included in the record.

Mr. BOGGS. We can certainly give you the numbers and we'll look at some analysis. I suspect the analysis would be more controversial than the numbers.

The CHAIRMAN. I'm sure that they would, and yet the bare numbers by themselves might be misleading if we didn't have some kind of an analysis as to what they mean.

Mr. BOGGS. We'll give it a try.

[The requested information follows:]

Table 1 presents the total volume of refined petroleum products imported into the U.S. from 1972 to 1984. During this period, the U.S. was a major importer of petroleum products for both direct use, and in the case of fuel oil, for feed to cracking facilities. Product imports were at their highest level in 1973. From 1973 until 1981, petroleum product imports declined by a total of 47 percent.

Table 1

Imports of Petroleum Products (MBD)

	Total Refined Product Imports	Precentage Change From Previous Year
1972	2525	
1973	3012	+19%
1974	2635	-13%
1975	1951	-26%
1976	2026	+4%
1977	2193	+8%
1978	2008	-8%
1979	1937	-4%
1980	1646	-15%
1981	1599	-3%
1982	1625	+2%
1983	1722	+4%
1984	1979	+15%

Source: Energy Information Administration, Petroleum Supply Monthly, December 1984, DOE-EIA/0109(84/12), page 3.

Since 1981, petroleum product imports have risen although they are still well below the volumes imported in the early 1970's.

48-165 O—85——5

Table 2 presents the number of operable U.S. refineries -- according to distillation capacity -- from 1970 to 1984. The total number of U.S. refineries was roughly constant from 1970 through 1974. But from 1975 until 1981, the number of U.S. refineries grew steadily. In 1982 and 1983, the number of U.S. refineries dropped dramatically.

Although total petroleum product imports increased slightly in 1982 and 1983, at the same time that a large number of domestic refineries were shut-down, it would not be correct to conclude that the increase in imports had a significant effect on refinery closings. Crude oil distillation capacity fell one million barrels per day between 1982 and 1983, while net product imports increased less than 100,000 barrels per day, or 10 percent of the change in capacity.

The decline in refining capacity since 1981 is not unique to the U.S. Refining capacity in Europe declined from 20.0 million barrels per day in 1981 to 16.2 million barrels per day in 1984, while refining capacity declined from 18.3 million barrels per day in 1981 to 16.1 million barrels per day in 1984 in the U. S.

The Department currently is working on an analysis of current and future conditions in the domestic refining industry. The study also will estimate the economic costs and benefits of a protective measure, such as an increased tariff on imported petroleum products. The study is scheduled to be completed in June. We will submit a copy of the study as soon as it is completed.

Table 2

Number of Operable U. S. Refineries by Size

Crude Oil Distillation Capacity, Barrels per Calendar Day	YEARS														
	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Less than 10,000	113	110	109	107	105	103	101	100	102	102	102	91	82	67	63
10,001 - 30,000	60	61	63	58	62	60	59	60	67	78	83	93	80	59	55
30,001 - 50,000	40	34	32	32	32	40	38	39	42	38	39	42	44	40	41
50,001 - 100,000	36	38	39	41	42	42	47	46	42	44	44	44	43	44	41
100,000 -175,000	19	21	22	23	23	24	21	22	25	25	25	27	30	26	26
Over 175,000	13	15	16	16	19	20	21	24	24	24	26	27	22	22	21
Total	281	279	281	277	283	289	287	291	302	311	319	324	301	258	247

SOURCE: 1970 - 1979 data from the U. S. Department of the Interior, Bureau of Mines, Mineral Industry Surveys, Petroleum Refineries in the United States and Puerto Rico, January 1, for each year used; data from 1980 through 1984 from Energy Information Administration, Petroleum Supply Annual 1980, Vol.1, June 1974, p. 75.

The CHAIRMAN. I don't want to be diverted into the question of growing protectionism, but certainly there is a growing concern. And if indeed imported product causes substantial changes in our refinery industry in this country, we'll see substantial changes in our emergency response capability.

We already have one with respect to SPRO in which an oil pipeline that we were depending upon to move that oil went out of business as an oil pipeline and we had to find alternative distribution mechanisms simply because of that private sector change of operation.

And I think we must be ahead of that, not behind that as well.

I don't mean to belabor the subject. Obviously, from the beginning of my opening statement to the ending of this hearing this morning, it's obvious I don't intend to exacerbate the discussion or to go into all of the issues we've had between the administration and this committee and by myself as an individual Senator.

And when the President called me to say that he had vetoed the bill we had passed, I said, Mr. President, "I have only one wish for you." And he said, "What's that?" I said, "I wish you the good luck that there be no interruption during your term of office."

Well, so far, the luck of the Irish has held. He is going to be in office for another slightly less than 4 years. I would not bet right now that the luck of the Irish will hold through the remainder of his term; that there might well be a supply interruption of some nature, and I think the odds are that it will occur. It has during every past decade since the end of World War II. There hasn't been a 10-year period go by without a supply interruption.

If we get by it will be luck. It will not be wholly good management on our part. And I persist in the belief I've expressed a number of times in the past; the administration does not have the authority they might wish to use in the event of such a supply interruption. You cannot bootstrap from the Defense Production Act. You cannot bootstrap wholly from the International Energy Agency agreements. There are gaps in authority. And those gaps will become apparent in the event of a supply interruption.

Again, I regret that we've had that impasse, but we have had it, and I think the best way for us to deal with the expiration of what everyone knows and agrees is needed authority under EPCA is the simple extension of EPCA, warts and all, excesses or deficiencies, whatever they may be, and I support that extension. I am pleased to see that the administration does.

Mr. BOGGS. And we very much appreciate your help and support on that, Senator.

The CHAIRMAN. Thank you very much for your patience this morning. That concludes the hearing.

[Whereupon, at 11:58 a.m., the hearing was adjourned.]

[Subsequently the following questions were submitted for the record. The answers appear in the appendix.]

JAMES A. McCLURE, IDAHO, CHAIRMAN
MARK O. HATFIELD, OREGON
LOWELL P. WEICKER, JR., CONNECTICUT
PETE V. DOMENICI, NEW MEXICO
MALCOLM WALLOP, WYOMING
JOHN W. WARNER, VIRGINIA
FRANK H. MURKOWSKI, ALASKA
DON NICKLES, OKLAHOMA
CHIC HECHT, NEVADA
DANIEL J. EVANS, WASHINGTON
J. BENNETT JOHNSTON, LOUISIANA
DALE BUMPERS, ARKANSAS
WENDELL H. FORD, KENTUCKY
HOWARD M. METZENBAUM, OHIO
JOHN MELCHER, MONTANA
BILL BRADLEY, NEW JERSEY
JEFF BINGAMAN, NEW MEXICO
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
FRANK M. CUSHING, STAFF DIRECTOR
GARY G. ELLSWORTH, CHIEF COUNSEL
D. MICHAEL HARVEY, CHIEF COUNSEL FOR THE MINORITY

United States Senate
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, DC 20510

May 6, 1985

The Honorable Danny J. Boggs
Deputy Secretary
Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Mr. Boggs:

On behalf of the Committee on Energy and Natural Resources, I wish to express its appreciation for your testimony on S. 979, the Energy Policy and Conservation Amendments Act of 1985.

Please find enclosed copies of questions submitted to you for response by various members of the Committee. We certainly appreciate your willingness to respond to the enclosed questions in a timely fashion. Please have all responses to us by noon, Monday, May 13, 1985, and supply the Committee with 40 copies of same. Your responses, and any inquiries regarding this request, should be directed to the attention of Richard Grundy, Senior Professional Staff Member, at 224-2564.

Sincerely,

Jim McClure

James A. McClure
Chairman

Enclosures

Questions from the Minority

for Danny J. Boggs
Deputy Secretary, Department of Energy

Hearing on S. 979
Energy Policy and Conservation Amendments Act of 1985
Senate Committee on Energy and Natural Resources
May 1, 1985

Emergency Preparedness:

The striking thing about your prepared statement on energy emergency preparedness is that aside from your bold assertion that a major crisis in international energy markets is "unlikely in the foreseeable future" there is remarkably little discussion about scenarios for the future -- which is what preparedness is all about.

1. What does the Department see in the way of future trends?

2. The USGS has published several reports that indicate that the Middle East will increasingly dominate the future of world oil supplies because most of the world's known oil preserves are there, their reserves to production ratios are much higher than other regions of the world and their marginal cost of production is low. Shouldn't we consider this in planning for the future?

3. The Energy Information Administration has published this year forecasts of oil imports to the year 1995 which suggest that our oil imports will grow substantially, especially if oil prices remain low. When Senator Johnston asked Secretary Herrington for

the record about these forecasts, he responded, "The past record of accuracy of EIA (or other) energy forecasts does not encourage placing absolute reliance on such forecasts."

4. What reliance, if any, is the DOE placing on these EIA forecasts? You haven't even mentioned these forecasts in your statement on emergency preparedness.

5. What is your notion of "the projected threat", to borrow a phrase from the national security lexicon?

SPR

6. One of the provisions which would be extended by the four-year extension of EPCA, which you advocate, is section 160 of EPCA. This section provides that once the SPR reaches 500 million barrels "The President shall immediately seek to undertake and thereafter continue" filling the SPR at not less than 300,000 b/d until 750 million barrels are in storage.

Does the Administration endorse this provision? What does this provision, if extended, require of the Administration in your judgment? Wouldn't this provision require the President to request funding to fill the SPR at

300,000 b/d or to seek the repeal of this provision? If not, why not? (Note: This provision unlike the others is not explicitly subject to appropriations?)

7. Section 160(d) of EPCA bars the sale of crude from the Naval Petroleum Reserves at Elk Hills unless the SPR contains 500 million barrels or the SPR fill rate is 100,000 b/d. If your budget proposal is implemented that Elk Hills oil would effectively shut-in, would it not, and the Treasury would lose $1 billion per year?

When Secretary Herrington was asked for the record about this problem he responded, "Any legislation we would support for the period after June 30, 1985, would be consistent with the Fiscal Year 1986 President's budget." Isn't this extended EPCA supposed to apply for the period after June 30, 1985?

What are you waiting for? Isn't EPCA the place where this problem should be addressed?

8. You say in your statement that, "This Administration has made a strong commitment to the SPR. By the end of this fiscal year, we, with the support of Congress, will have increased the amount of oil in storage by 378 million barrels."

Do you know how much oil you would have added to the SPR had you sought to implement Congress' intention to fill at 300,000 b/d instead of continually fighting to lower the fill rate? You would by the end of 1985 have 668 million barrels in the SPR and would have added 530 million barrels, not 378 million barrels to the SPR would you not?

Standby Authorities

9. This Administration made a big point of vetoing the Standby Petroleum Allocation Act because it contained standby authorities which this Administration opposed and would never exercise.

Why are you agreeing to support the extension of all these standby authorities in the EPCA such as standby authority for mandatory demand restraint measures, mandatory private oil stocks, and mandatory allocation of oil under the IEA agreement?

Economic Response Plan

10. Last year Secretary Hodel pledged to a House committee his interest in creating an economic response plan to assist the

poor to cope with the free market in an oil supply disruption. He indicated his intent to send legislation to the Congress early this year.

What is the status of these plans? Isn't this an appropriate legislative vehicle for such a bill?

Effect of Expiration of EPCA

11. Please describe how and on what legal basis you would manage the Strategic Petroleum Reserve in the event that Congress fails to extend the expiration date of the Energy Policy and Conservation Act (EPCA).

For example, could you buy oil for the Reserve? Could you build new storage facilities? Could you negotiate new arrangements for access to pipelines? Could you withdraw oil from the Reserve and sell it? What would be the statutory authority and actual criteria, for example, for deciding when to sell oil, for arriving at the price or determining the rate of drawdown?

12. What would the Administration's policy be with regard to the International Energy Agency in the event that Congress fails

to extend the expiration of EPCA? To what extent could the U. S. participate in IEA programs? What would be the most important things the U. S. could not do if relevant provisions of EPCA expire?

Administration's Policy

13. In your statement you say that the Energy Policy and Conservation Act "is not perfect". What changes would perfect the authorities available in the Act?

14. In your statement you also mention provisions of the Act that "run counter to the Administration's policy and are not necessary for effective emergency preparedness."

To what provisions does this statement refer? Please describe your objections to them.

Product Imports

15. Please provide the Committee with whatever data you have, together with your analysis of that data, on the matter of increases in imports of specific refined petroleum products and

on imports of refined products in total. Include whatever information you can provide about the countries of origin of these imports, significant changes in refined product imports from these countries of origin, and future trends in U. S. imports in refined petroleum producats.

QUESTIONS FOR DEPUTY SECRETARY DANNY BOGGS

BY SENATOR JEFF BINGAMAN

May 1, 1985

16. Secretary Boggs: You have provided a summary of reasons why the Department finds the energy situation in the United States improved in 1984 over the past few years. While it is true that we are less dependent today on foreign sources of energy than at times in our recent past, we obviously cannot become complacent and forget the hard lessions learned from the energy crisis of the seventies. You stated in your testimony that "a major crisis in international energy markets, although unlikely in the forseeable future, would be felt here as well as abroad." It is the future I am concerned with today.

On what basis do you make the statement that there is no major crisis in the immediate future?

17. In its Annual Energy Outlook 1984, the Energy Information Administraton projects that under almost any scenario, petroleum imports will double by 1995. This means that we will be importing approximately the same percentage of oil as

we did during the energy crisis. Given this projection and the current political instability in the Middle East, please provide answers to the following questions.

a.) What action is the Department taking in response to the EIA projections? Does the agency support these projections?

b.) What are the sources of information that the Department use to calculate energy projections?

c.) What steps is the Department taking to provide an effective strategy for dealing with a major rise in petroleum imports?

d.) Has the Department investigated the growing increase in imports of refined petroleum imports?

e.) Does the Department plan any special initiative to improve long range energy policy planning?

JAMES A. McCLURE, IDAHO, CHAIRMAN
MARK O. HATFIELD, OREGON
LOWELL P. WEICKER, JR., CONNECTICUT
PETE V. DOMENICI, NEW MEXICO
MALCOLM WALLOP, WYOMING
JOHN W. WARNER, VIRGINIA
FRANK H. MURKOWSKI, ALASKA
DON NICKLES, OKLAHOMA
CHIC HECHT, NEVADA
DANIEL J. EVANS, WASHINGTON
J. BENNETT JOHNSTON, LOUISIANA
DALE BUMPERS, ARKANSAS
WENDELL H. FORD, KENTUCKY
HOWARD M. METZENBAUM, OHIO
JOHN MELCHER, MONTANA
BILL BRADLEY, NEW JERSEY
JEFF BINGAMAN, NEW MEXICO
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
FRANK M. CUSHING, STAFF DIRECTOR
GARY G. ELLSWORTH, CHIEF COUNSEL
B. MICHAEL HARVEY, CHIEF COUNSEL FOR THE MINORITY

United States Senate
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, DC 20510

May 6, 1985

Mr. E. Allan Wendt
Deputy Assistant Secretary for
Energy and Resources Policy
Department of State
Washington, D.C. 20520

Dear Mr. Wendt:

On behalf of the Committee on Energy and Natural Resources, I wish to express its appreciation for your testimony on S. 979, the Energy Policy and Conservation Amendments Act of 1985.

Please find enclosed copies of questions submitted to you for response by various members of the Committee. We certainly appreciate your willingness to respond to the enclosed questions in a timely fashion. Please have all responses to us by noon, Monday, May 13, 1985, and supply the Committee with 40 copies of same. Your responses, and any inquiries regarding this request, should be directed to the attention of Richard Grundy, Senior Professional Staff Member, at 224-2564.

Sincerely,

Jim McClure

James A. McClure
Chairman

Enclosures

Questions from the Minority

for E. Allan Wendt
Deputy Assistant Secretary
for International Energy and Resources Policy
Department of State

Hearing on May 1, 1985
Senate Committee on Energy and Natural Resources

1. On page 4 of your prepared statement you say that the current amount of oil in the SPR provides a degree of coverage in terms of net oil imports which will be equivalent to the protection envisioned when the 750 million barrel target was established.

Have you read the amendment to the SPR plan which Congress adopted in approving the SPR plan? It called for a one billion barrel SPR, did it not, and called for plans for a 750 miilion barrel SPR with additional plans for 250 million more barrels to come later?

Questions from Senator Wendell H. Ford

for E. Allan Wendt
Deputy Assistant Secretary
for International Energy and Resources Policy
Department of State

Hearing on May 1, 1985
Senate Committee on Energy and Natural Resources

2. DPA Authority

Sec. 104(b) of EPCA provides that the authority of the President specified in the Defense Production Act (DPA) to allocate energy supplies and equipment and require priority in the performance of contracts expires on December 31, 1984.

There are some who believe that we need to change this date of December 31, 1984, to whatever date we pick for the expiration of EPCA as a whole or we will run the risk of "revitalizing" this December 31, 1984, expiration date because Congress has already extended this DPA authority in other legislation last year. Can you give us some guidance in this legal dispute?

APPENDIX

Responses to Additional Committee Questions

Department of Energy
Washington, DC 20585

SENATE COMMITTEE ON
ENERGY AND NATURAL RESOURCES
RECEIVED
WASHINGTON D.C. 20510

May 13, 1985

Honorable James A. McClure
Chairman, Committee on Energy
and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On May 1, 1985, Deputy Secretary Danny J. Boggs appeared before the Committee on Energy and Natural Resources to discuss S. 979, the Energy Policy and Conservation Amendments Act of 1985.

Following that hearing, you submitted written questions for our response. Enclosed are the answers to those questions which also have been sent directly to the Committee staff.

If you have any questions, please call Ingrid Nelson or Cathy Hamilton of my staff on 252-4277. They will be happy to assist you.

Sincerely,

Robert G. Rabben
Assistant General Counsel
for Legislation

Enclosure

POST-HEARING QUESTIONS AND ANSWERS

RELATING TO THE

MAY 1, 1985, HEARING

BEFORE THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES

UNITED STATES SENATE

WITNESS: DEPUTY SECRETARY BOGGS

QUESTIONS FROM THE MINORITY

Emergency Preparedness

Question 1: What does the Department see in the way of future trends (for oil imports.)

Answer: Future trends in oil imports are very difficult to project beyond a year or two. For example, the Energy Information Administration's 1977 Annual Report to Congress projected that net oil imports by the U.S. would, in the "reference case", reach 11 millions of barrels per day by 1985 and 14 millions of barrels per day by 1990. Net imports for this year are now forecast to be less than 4.5 millions of barrels per day, substantially less than half of what was forecasted in 1977.

The Department considers a number of private and government forecasts in formulating its assessment of possible future trends in energy markets. Currently the Department is working on the National Energy Policy Plan V (NEPP-V). The NEPP-V will contain additional information and forecasts of possible energy trends.

The Energy Information Administration's Annual Energy Outlook for 1984 contains a range of projections for oil imports into the United States between now and 1995, as well as a set of sensitivity analyses that

explore specific uncertainties about the factors that affect imports. As the Annual Energy Outlook states clearly in its introduction and throughout the text, its primary message is that future oil imports (and other aspects of energy markets) depend on a number of influences that cannot be projected with certainty.

The Annual Energy Outlook describes potential scenarios that lead to a wide range of possible outcomes. More specifically, the range of oil import levels implied for 1995 by the basic scenarios constructed in the Annual Energy Outlook is 5.2 to 11.7 millions of barrels per day. Under a set of conditions involving unusually high economic growth or extremely depressed oil prices, imports could double. Under different conditions, including continuation of recent trends in oil production, conservation, and substitution of other fuels, the import situation in 1995 could be very little different than it is today. Continuation of recent conservation trends or favorable, but quite plausible, assumptions about factors affecting oil supply could hold imports to a range of 5.6 to 6.5 millions of barrels per day.

QUESTIONS FROM THE MINORITY

Emergency Preparedness

Question 2: The USGS has published several reports that indicate that the Middle East will increasingly dominate the future of world oil supplies because most of the world's oil preserves are there, their reserves to production ratios are much higher than other regions of the world and their marginal cost of production is low. Shouldn't we consider this in planning for the future?

Answer: We do consider this in our energy policy planning. The importance of the Middle East as a source of oil is well established. It has been and will continue to be an essential factor in both strategic and contingency planning. But our planning must be based on a wider range of considerations than this single one.

Implicit in our National goal of an adequate supply of energy at reasonable costs is the strategy of a balanced and mixed energy resource system -- a system in which a number of energy resources, including coal, natural gas, solar and other renewables, nuclear energy, as well as greater energy efficiency and energy conservation combine to meet the Nation's energy needs. Balance in this context does not imply equality, but an economically efficient, flexible energy system in which the mix of energy supplies is appropriate to support economic growth and adequate to permit producers and consumers to choose freely among a range of energy options. As a result of steps we have taken, domestic energy resources are being developed that make sense at today's oil prices.

Balance and diversity also help avoid undue dependence on any single energy source, including Middle East oil, which accounted for 3 percent of U.S. petroleum consumption last year, compared with 12 percent in 1978.

In addition, the Administration has more than quadrupled the amount of crude oil in the Strategic Petroleum Reserve to over 465 million barrels. This represents over 100 days of projected 1985 net imports of crude oil, which when combined with commercial stocks, provides a level of security far greater than required by our obligations to our partners in the International Energy Agency (IEA). Further, we and our IEA partners have agreed to consult and have established the basis for coordinating a drawdown of strategic stocks in the event of a major oil supply disruption, thus further reducing the adverse effects of any future supply disruption.

QUESTIONS FROM THE MINORITY

Emergency Preparedness

Question 3: The Energy Information Administration has published this year forecasts of oil imports to the year 1995 which suggest that our oil imports will grow substantially, especially if oil prices remain low. When Senator Johnston asked Secretary Herrington for the record about these forecasts, he responded, "The past record of accuracy of EIA (or other) energy forecasts does not encourage placing absolute reliance on such forecasts."

Question 4: What reliance, if any, is the DOE placing on these EIA forecasts? You haven't even mentioned these forecasts in your statement on emergency preparedness.

Answer: The Annual Energy Outlook forecast suggests a wide range of possible scenarios for the year 1995. Under one set of conditions involving high growth and low oil prices, imports could double; assuming continuation of recent trends, however, imports may remain roughly at today's levels.

EIA itself considers the projections contained in the Annual Energy Outlook to represent a range of possible outcomes, rather than point predictions. Therefore it would be a mistake to rely too much on any single value contained in this or any other forecast. In the text of the Outlook, EIA repeatedly emphasizes the uncertainty of many influential factors governing future oil imports. These include future economic growth, oil prices, new energy discoveries, conservation trends, and technological innovation.

The 1983 National Energy Policy Plan provides a clear statement of the Department's view of energy forecasts:

The specifics of future energy prices and production are very uncertain and not subject to precise definition. The projections discussed in this chapter do not necessarily represent Administration policy or the beliefs of the President or the Secretary of Energy. They are, instead, presented in compliance with congressional mandate as one of a number of sets of projections that can be derived from mathematical modeling processes.

Like other private and government energy projections, the energy projections presented with this 1983 National Energy Policy Plan are inherently uncertain. Because projections cannot fully represent a number of important qualitative factors that influence energy markets -- such as political events, consumer behavior, or policy changes -- these NEPP projections involve a considerable amount of analytical judgment. As most energy analysts will acknowledge, projections cannot and should not be a substitute for common sense. Thus, the energy outlook presented here should be interpreted as simply a point of departure for understanding future energy developments.

...No single set of projections is sufficiently reliable as the sole basis for future planning. The range of future energy projections and the expert opinions that appear in the technical report Energy Projections to the Year 2010, however, are sufficient to warrant two conclusions: our energy future will continue to be marked by uncertainty; and flexibility (which is best provided by relying on market forces and on the availability of a balanced mix of energy resources) offers the greatest opportunity for ensuring an effective response to uncertain conditions.

QUESTIONS FROM THE MINORITY

Emergency Preparedness

Question 5: What is your notion of "the projected threat," to borrow a phrase from the National Security lexicon?

Answer: By "projected threat" I presume you are referring to the likelihood of a severe interruption in world oil supplies.

We view a major supply disruption having severe impacts as unlikely in the foreseeable future. Today the U.S. energy situation has improved substantially relative to conditions of the 1970's. Excess oil production capacity worldwide is currently estimated to be about 9 million barrels per day, 3 million of which represent sources outside the Persian Gulf. The Strategic Petroleum Reserve, containing over 465 million barrels of oil, represents a major form of insurance against interrupted supplies. Use of the SPR, particularly in conjunction with the drawdown of stocks by our allies, could partially or fully offset the effects of all but the most severe supply interruptions. Also, the availability of other domestic energy resources -- particularly natural gas in the form of the current supply "bubble" but also coal, nuclear and renewables -- helps minimize the potential impact of a disruption in the near term.

Another form of insurance is the increasing energy efficiency of the U.S. economy. As a result of increased efficiency of utilization and substitution of other fuels,

the U.S. economy functions on nearly 20 percent less oil today than it did in 1978. Energy input per unit of economic output has fallen by roughly 24 percent since 1973.

The longer-term goal of U.S. energy policy must continue to be an adequate supply of energy at reasonable costs. It is only by achieving this goal that we can avoid undue reliance on any single source of energy, including imported oil.

Toward this end, DOE continues to support additional steps to promote U.S. energy security. We must continue the advances that have been made in the clean combustion of coal to allow full and efficient use of our domestic resource base. Rational development of energy resources from the Outer Continental Shelf consistent with environmental safeguards will also help insure that our domestic resources are used to their maximum potential. Responsible streamlining of nuclear power plant licensing, combined with the great strides that have been made in developing a sound nuclear waste disposal program, will enable nuclear power to continue as a key domestic resource. DOE continues to support full deregulation of natural gas prices. Finally, a continuation of the trend toward greater energy efficiency can make additional contributions to our overall energy security.

Relying on the market to determine the appropriate prices for various energy alternatives will promote an economically efficient energy system capable of supporting economic growth while at the same time maintaining the flexibility necessary to insure national security.

QUESTIONS FROM THE MINORITY

Strategic Petroleum Reserve

Question 6: One of the provisions which would be extended by the four-year extension of EPCA, which you advocate, is section 160 of EPCA. This section provides that once the SPR reaches 500 million barrels "The President shall immediately seek to undertake and thereafter continue" filling the SPR at not less than 300,000 b/d until 750 million barrels are in storage.

(a) Does the Administration endorse this provision?

(b) What does this provision, if extended, require of the Administration in your judgment?

(c) Wouldn't this provision require the President to request funding to fill the SPR at 300,000 b/d or to seek the repeal of this provision? (Note: This provision unlike the others is not explicitly subject to appropriations?)

Answer: (a) The Administration favors a simple extension of the Energy Policy and Conservation Act (EPCA) through June 30, 1989. This position recognizes the desirability of continuing certain essential provisions of the EPCA beyond June 30, 1985, but does not represent an endorsement of all provisions in the EPCA. It is the policy of this Administration that decisions concerning the rate of fill of the Strategic Petroleum Reserve (SPR) should reflect a balance between the benefits of further additions to the existing inventory and Federal fiscal conditions. It is also widely recognized that as the SPR inventory has become larger, the incremental value of additions to the inventory diminishes. Future SPR fill decisions should not be automatic or absolute but rather be based on continuing careful review of oil market and Federal fiscal conditions. We believe that the

annual budget and appropriations process has been and will continue to be an appropriate forum for discussion and resolution of this issue.

Thus, despite our concerns, we favor a simple extension of EPCA authorities.

(b) In the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), the Congress enacted language providing for the President to seek to achieve a 300,000 barrel-per-day fill rate for the Strategic Petroleum Reserve.

Following the passage of P.L. 97-35, with the "seek to" formulation, the Administration adhered to its previous oil funding plans, and Congress approved those plans. While such plans did not provide for sustained rates of capacity development or fill of 300,000 barrels per day, the Department's use of the funds provided consistently exceeded Congressional expectations.

One could reasonably expect a comparable set of circumstances in the future application of a similar legislative formula, with the Administration and the Congress seeking agreement on the appropriate level of resources and the Department seeking to execute the program in good faith within available resources.

(c) The President is required neither to request funding to achieve 300,000 barrels per day nor to seek a specific repeal of the provision in question. While this particular legislative language may not refer explicitly to the availability of funds, it does not exempt the SPR program from constitutional and legislative requirements for Congressional approvals regarding the use of public funds.

QUESTIONS FROM THE MINORITY

Naval Petroleum Reserves

Question 7: Section 160(d) of EPCA bars the sale of crude from the Naval Petroleum Reserves at Elk Hills unless the SPR contains 500 million barrels or the SPR fill rate is 100,000 b/d. If your budget proposal is implemented then Elk Hills oil would be effectively shut-in, would it not, and the Treasury would lose $1 billion per year?

When Secretary Herrington was asked for the record about this problem he responded, "Any legislation we would support for the period after June 30, 1985, would be consistent with the Fiscal Year 1986 President's budget." Isn't this extended EPCA supposed to apply for the period after June 30, 1985?

What are you waiting for? Isn't EPCA the place where this problem should be addressed?

Answer: In the FY 1986 budget, revenues from the sale of Naval Petroleum Reserves oil are projected to be $1.3 billion under our expectation that production will continue. This budget also proposes a moratorium on SPR fill and capacity development beyond the 489 million barrels scheduled to be in storage at the end of this fiscal year. While Section 160(d) of the EPCA would deny the Government this revenue if the Strategic Petroleum Reserve were not to reach 500 million barrels, the Department is confident the Congress can find a solution to this potential problem, either through authorization or appropriation legislation, while at the same time enacting a simple extension of the EPCA to June 30, 1989.

QUESTIONS FROM THE MINORITY

SPR Fill Rate

Question 8: You say in your statement that, "This Administration has made a strong commitment to the SPR. By the end of this fiscal year, we, with the support of Congress, will have increased the amount of oil in storage by 378 million barrels."

Do you know how much oil you would have added to the SPR had you sought to implement Congress' intention to fill at 300,000 b/d instead of continually fighting to lower the fill rate? You would by the end of 1985 have 668 million barrels in the SPR and would have added 530 million barrels, not 378 million barrels to the SPR would you not?

Answer: At the end of Fiscal Year 1981, shortly after Public Law 97-35 was enacted, the Strategic Petroleum Reserve oil inventory was 199.2 million barrels. If a 300,000 barrels-per-day fill rate had been funded and implemented in fiscal years 1982 through 1985, a further 438.3 million barrels would have been added by September 1985, for a cumulative fill of approximately 638 million barrels. Over 140 million barrels of this inventory would have had to be stored in temporary capacity at a cost of approximately $500 million per year. Thus, when given the choice, as in the case of the FY 1983 Supplemental Appropriations Act, of whether or not to implement such a costly interim storage program, Congress clearly -- and wisely, in our view -- chose to avoid this cost. It also avoided a $4 billion cash outlay for the additional oil and hence, under 1984 long-term Treasury borrowing rates, another $500 million per year in interest costs.

The Administration has met or exceeded the annual fill rates agreed to in the appropriations process.

QUESTIONS FROM THE MINORITY

Standby Authorities

Question 9: This Administration made a big point of vetoing the Standby Petroleum Allocation Act because it contained standby authorities which this Administration opposed and would never exercise.

Why are you agreeing to support the extension of all these standby authorities in the EPCA such as standby authority for mandatory demand restraint measures, mandatory private oil stocks, and mandatory allocation of oil under the IEA agreement?

Answer: We do not believe that the existing statute is perfect. However, authorities provided therein are sufficient to continue our emergency preparedness activities. Although provisions such as standby authorities for mandatory demand restraint measures and mandatory private oil stocks are clearly contrary to the Administration's policy and are not necessary for effective emergency preparedness, we do not believe their retention will undermine the continuation of the Administration's overall energy emergency preparedness policy.

As we have stated publicly on a number of occasions, we do not believe it will ever be necessary to use the standby mandatory oil authority in the unlikely event the IEA's Emergency Sharing System is triggered. The U.S. approach to meeting its Allocation Obligation (or conversely, an Allocation Right) is through the direct voluntary participation of U.S. oil companies, i.e., through

transactions which the IEA labels as Type I and Type II voluntary offers. Such offers are freely made and negotiated by giving/receiving companies. Only as a very last resort to meet a U.S. Allocation Obligation would mandatory supply orders be considered.

In spite of the existence of these standby authorities which the Administration believes are unnecessary for this country's response to an energy emergency and to ensure that necessary emergency authorities for the SPR and IEA activities do not lapse on June 30 of this year, we believe that the best available approach is a simple extension of the current law.

QUESTIONS FROM THE MINORITY

Economic Response Plan

Question 10: Last year Secretary Hodel pledged to a House Committee his interest in creating an economic response plan to assist the poor to cope with an oil supply disruption. He indicated his intent to send legislation to the Congress early this year. What is the status of these plans? Isn't this an appropriate legislative vehicle for such a bill?

Answer: Secretary Hodel cited several options for an economic response plan that he believed merited further investigation. He also stated that there existed no agreement within the Administration on the issue and that he hoped a consensus would evolve in time to propose legislation in early 1985. No consensus has developed as to the desirability of any particular economic response legislation, however, and it is not the Administration's position to support at this time a specific economic response proposal.

Early use of the SPR remains the most effective response available in the event of a disruption of oil supplies. Depending on the magnitude and duration of the shortfall, use of the SPR alone or in conjunction with drawdown of stocks by our allies could offset much, if not all, of the impact of a supply disruption. For example, it is estimated that use of the SPR in coordination with stock draw by our allies could offset 70-80 percent of the expected crude oil price increase resulting from a 4 million barrel per day net disruption. Even without stock draw by our allies, use of

the SPR could offset 40-70 percent of the expected crude oil price increase. It should be noted that a 4 billion barrel per day net shortfall represents a more severe disruption than we have seen in the past, and is quite unlikely given the current state of the world oil market.

We recognize that some lower income households may be more affected than other households should fuel prices increase in a supply disruption. There are programs in place providing assistance to low income households during non-emergency periods, and many of these programs would adjust automatically to provide higher benefits in the event of higher energy prices, albeit with a lag. Also, there would be an opportunity to reprogram funds to meet any pressing need that developed under the Low Income Energy Assistance Program.

Given the impending expiration date for EPCA, we think that a simple EPCA extension is the best way to prevent a lapse in the authority vital to U.S. energy security and to our ability to honor our international commitments to the IEA.

QUESTIONS FROM THE MINORITY

Effect of Expiration of EPCA

Question 11: Please describe how and on what legal basis you would manage the Strategic Petroleum Reserve in the event that Congress fails to extend the expiration date of the Energy Policy and Conservation Act (EPCA).

For example, could you buy oil for the Reserve? Could you build new storage facilities? Could you negotiate new arrangements for access to pipelines? Could you withdraw oil from the Reserve and sell it? What would be the statutory authority and actual criteria, for example, for deciding when to sell oil, for arriving at the price or determining the rate of drawdown?

Answer: In the event that the EPCA should lapse, various other laws, such as the Department of Energy Organization Act, Pub. L. 95-91, 42 U.S.C. 7101 et seq., and appropriations enacted for the conduct of the Strategic Petroleum Reserve program, would provide some limited authority to continue to operate the program. Under this authority DOE could continue to build storage facilities, negotiate new arrangements for access to pipelines, and otherwise conduct activities necessary to the maintenance of the Reserve. One expiring EPCA authority which may not otherwise be available is the section 159(f)(L) power of condemnation. Unavailability of this authority could delay the acquisition of the real estate interests needed for the construction of the Reserve's oil distribution enhancement program.

Funds which the Congress has appropriated for the acquisition of oil for the SPR have been linked expressly to the off-budget

"SPR Petroleum Account" established by EPCA section 167. With the lapse of Title I, Part B, therefore, these appropriations would appear no longer to be available for oil acquisition. It appears that most, if not all, of the oil to be delivered in Fiscal Year 1985 will be contracted for by June 30, 1985. Sufficient funds for any remaining purchases could be obligated to the Reserve's oil acquisition agent, the Defense Fuel Supply Center, by June 30.

The question of the effect of EPCA expiration on drawdown of the SPR is under study, but no conclusions have yet been reached.

QUESTIONS FROM THE MINORITY

Effect of Expiration of EPCA

Question 12: What would the Administration's policy be with regard to the International Energy Agency in the event that Congress fails to extend the expiration of EPCA? To what extent could the U.S. participate in IEA programs? What would be the most important things the United States could not do if relevant provisions of EPCA expire?

Answer: Expiration of EPCA would not terminate U.S. involvement in the IEA, but it would be highly detrimental with respect to the nature of that involvement and would affect the ability of the U.S. to fully comply with its obligations under the Agreement on an International Energy Program (IEP).

Expiration of EPCA primarily would affect U.S. industry participation in IEA programs, without which it would be much more difficult to satisfy potential U.S. information sharing and oil allocation obligations under the IEP. The absence of the limited antitrust and breach of contract protection made available by EPCA section 252 would significantly deter, if not largely preclude, U.S. oil company participation in IEA allocation and information activities. Specifically, U.S. oil companies probably would not provide the IEA with disaggregated proprietary information or data, make voluntary oil supply offers if the IEA's emergency sharing system was triggered, engage in IEA allocation systems tests, or participate in IEA industry advisory bodies. The IEA's emergency sharing system, as designed, cannot work effectively without the participation of the eighteen U.S. oil companies which have agreed to assist in implementing it.

In addition, while the Government could continue to participate in meetings of the IEA's Governing Board and standing groups, the Government would lose certain authority to facilitate the involvement of industry in IEA activities. For example, its express authority under EPCA section 251 to issue international supply orders to compel U.S. oil companies to deliver oil to other IEA countries, if necessary to meet U.S. obligations, would lapse. However, the Government would retain some capability to issue such mandatory supply orders under other authority such as the International Emergency Economic Powers Act. Likewise, the Government would lose its authority under EPCA section 254 to provide the IEA with disaggregated oil company proprietary information or data, but other authority would be available to the Government to provide the IEA with aggregated oil company data.

EPCA is highly important to our efforts, both in the concrete sense of providing specific legislative authorization to relevant programs but also in a symbolic sense. A lapse in EPCA would undermine confidence in our commitment to this endeavor, both at home and in IEA capitals, and perhaps undermine the progress of the past decade.

QUESTIONS FROM THE MINORITY

Administration's Policy

Question 13: In your statement you say that the Energy Policy and Conservation Act is not perfect. What changes would perfect the authorities available in the Act?

Answer: During the last Congress, the Administration supported provisions of S. 1678 which provided the following additional authorities not currently available in Energy Policy and Conservation Act:

- o Voluntary Agreements--new antitrust and breach of contract protection for companies' cooperative actions in energy emergencies not necessarily involving the International Energy Program.

- o Executive Reserves--appropriate relief from conflict-of-interest and antitrust laws, to facilitate the use of reservists during energy emergencies.

- o Preemption of state oil pricing and allocation laws, excepting state-set aside programs.

- o Removal of mandatory restrictions and retention of discretionary authority to restrict exports of energy, materials, and equipment.

- Waiver of export restrictions for SPR oil (in connection with product imports) and for domestic oil to meet IEA and NATO commitments.

Additionally, there are other provisions of the Act which the Administration believes are not necessary for effective emergency preparedness. See the discussion in Question 14.

QUESTIONS FROM THE MINORITY

Administration's Policy

Question 14: In your statement you also mention provisions of the act that "run counter to the Administration's policy and are not necessary for effective emergency preparedness."

To what provisions does this statement refer? Please describe your objections to them.

Answer: The following provisions are among the provisions that the Administration believes are not necessary for effective emergency preparedness:

- o Strategic Petroleum Reserve (SPR) mandatory storage goals and fill rates should be decided in the appropriations process, as has in fact been the case during the past few years. With the SPR currently at a significant operational level, containing the equivalent of over 100 days of oil imports, future SPR fill plans must reflect a balance between energy security needs and federal budget conditions.

- o Separate expiration date for the International Energy Program authorities in Section 252 of EPCA. The expiration date for these authorities should be consistent with the expiration date for Titles I and II of EPCA.

- o Linkage of the authorities to conduct the Strategic Petroleum Reserve Program to the provisions of a Strategic Petroleum Reserve Plan.

- Regional reserves, storage in non-contiguous areas, and the industrial reserve. The centralized storage of crude oil in salt domes on the Gulf Coast has been determined by the past three Administrations to be the most efficient, flexible and cost-effective method of providing petroleum to the regions of the country that may be most affected by an oil supply disruption.

- Authority for standby mandatory energy conservation contingency plans. Experience demonstrates that voluntary conservation and market incentives can achieve greater benefits without the large regulatory burden and costs. For example, voluntary conservation measures and increased alternate fuel use have reduced petroleum consumption in this country by nearly 20 percent since 1978.

QUESTIONS FROM THE MINORITY

Product Imports

Question 15. Please provide the Committee with whatever data you have, together with your analysis of that data, on the matter of increases in imports of specific refined petroleum products and on imports of refined products in total. Include whatever information you can provide about the countries of origin of these imports, significant changes in refined product imports from these countries of origin, and future trends in U.S. imports in refined petroleum products.

Answer: Figure 1 displays gross oil product imports to the U.S. from 1949 to 1984 (1984 data is preliminary). Note that overall, oil product imports have declined since 1973, dropping from an average of 3 million barrels/day in 1973 to about 2 million barrels/day in 1984. In 1973 net oil product imports, imports less exports, represented about 16 percent of the U.S.'s total oil demand but by 1984 net oil imports' share of total U.S. demand declined to about 9 percent. The increase in the level of imports which occurred in 1984 when compared to the 1980-1983 level reflects the strong rebound in the U.S. economy and the continuing weakness in oil prices. Table 1 displays gross product imports and exports, and net product imports adjusted for stock movements. In discussing U.S. oil imports, adjustment should be made for whether stocks are being built up or drawn down. For example, in the winter we may import 2 million barrels per day and draw 2

million out of storage, while in summer we may import 6 million and place 2 million in storage. While the absolute level of imports differs by a large amount, there is no real difference in dependence on imports: The stock-adjusted level of imports is 4 million in either case. Note that net stock-adjusted imports have fallen more than 48 percent since 1973. With respect to specific products, the U.S. imports over 20 different types of products including specialty products for petrochemical feedstocks. Of these products, residual fuel oil imports experienced the most significant decline, going from 1.85 million barrels/day in 1973 to 674 thousand barrels/day in 1984. Over this same period of time, motor gasoline and motor gasoline blending stocks showed some increase. However, these imports in 1984 represented only about 5.5 percent of total gasoline demand in the U.S. with 35 percent of these imports coming from U.S. possessions and OECD sources.

With respect to product imports from individual countries, Table 2 summarizes imports of all oil products, gasoline and residual fuel oil from the thirteen top exporters to the U.S.

3

Tables 3, 4, 5, and 6 display all the imports of various products and the country of origin for the years 1981 through 1984. These tables are from the Energy Information Administration's publications, "Petroleum Supply Annual" for 1981, 1982, and 1983 and "Petroleum Supply Monthly for December 1984," for 1984.

Note that during these years the U.S. imported oil products from over 30 nations with the largest exporters being the Virgin Islands, Canada, Venezuela, Netherlands Antilles, and Algeria. Together these countries provided an average of 60 percent of oil product imports during this time period. With the exception of Algeria and Venezuela, OPEC countries were not significant exporters of oil products to the U.S.

Figure 1. Imports of Petroleum Products

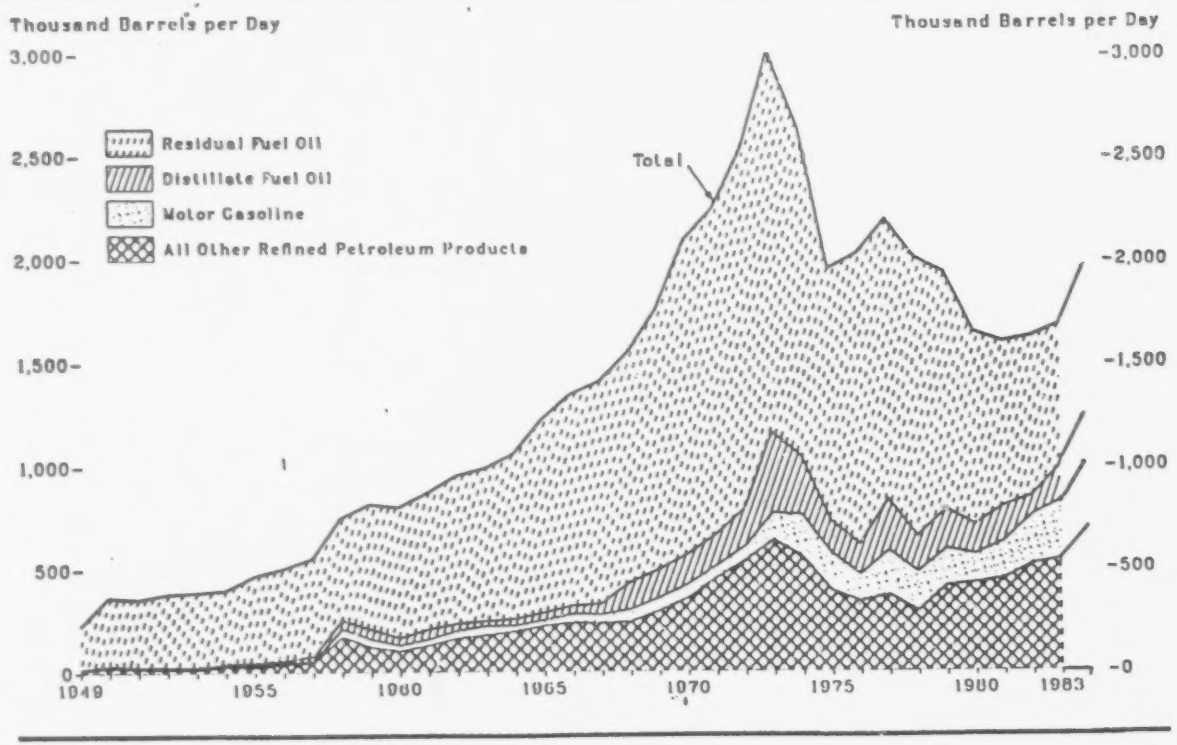


Table 1

Product Imports Adjusted for Stock Movements

Year	Product Imports	Product Exports	Stock Withdrawal 1/	Net-Stock Adjusted Imports 2/
1973	3,012	229	-146	2,637
1974	2,635	218	-117	2,300
1975	1,951	204	-145	1,602
1976	2,026	215	96	1,907
1977	2,193	193	-378	1,624
1978	2,008	204	172	1,976
1979	1,937	237	-25	1,675
1980	1,646	258	-42	1,346
1981	1,599	367	130	1,362
1982	1,625	579	283	1,329
1983	1,722	575	234	1,381
1984	1,979	541	-83	1,355

1/ A negative number indicates an increase in stock and a positive number indicates a decrease.

2/ Product Imports less product exports plus stock withdrawals.

Table 2 Imports of Oil Products by Country

	Total Products				Gasoline 1/				Residual Fuel Oil			
	1981	1982	1983	1984	1931	1982	1983	1984	1981	1982	1983	1984
Virgin Islands	119,365	115,300	102,969	107,514	20,225	21,723	20,113	17,910	52,919	44,624	42,899	48,622
Canada	103,301	97,073	99,567	104,727	6,133	7,460	5,095	6,518	14,196	8,885	9,875	9,442
Venezuela	94,820	93,881	94,182	105,544	380	3,077	15,055	20,657	78,745	74,502	56,220	42,419
Neth Antilles	71,974	83,806	68,916	67,887	1,579	2,080	1,815	6,823	61,187	51,015	44,495	43,479
Bahamas	27,081	23,667	45,581	31,539	0	0	433	506	12,489	12,555	12,389	6,538
Puerto Rico	22,647	18,150	14,498	15,210	9,588	8,405	5,062	4,633	822	231	0	74
Mexico	19,348	14,075	21,959	31,646	0	0	3,381	7,658	11,478	7,830	7,049	3,283
Algeria	18,198	29,223	23,268	45,991	0	480	0	833	15,427	28,158	17,765	20,770
Indonesia	17,520	8,323	8,332	14,176	3,080	2,381	2,000	1,354	11,251	3,243	4,928	5,946
Trinidad/Tobago	11,383	7,415	4,912	2,581	576	231	97	111	7,118	5,748	3,789	1,929
Netherlands	10,806	12,727	22,838	22,414	5,834	9,342	13,282	9,726	1,132	1,310	1,657	1,418
Mainland China	6,631	11,021	10,205	10,834	5,976	10,368	9,312	4,786	0	105	84	0
Brazil	0	10,269	14,308	21,953	0	3,494	6,473	10,239	3,239	8,485	7,424	10,886
All Others	58,707	68,214	46,973	142,310	12,565	18,279	24,042	38,818	22,067	36,420	46,642	51,811
TOTAL	583,716	593,144	628,518	724,326	65,906	87,320	106,186	135,572	292,070	283,101	255,213	246,617

1/ Includes motor fuel blending stocks.

Table 3. Imports of Crude Oil and Petroleum Products 1981 (Thousand Barrels)

Source	Crude Oil [1]	LPG and Ethane	Unfinished Oils	Gasoline Blending Components	Finished Motor Gasoline	Jet Fuel	Kerosene	Distillate Fuel Oil	Residual Fuel Oil	Special Naphthas	Other Products [2]	Total Products	Total Petroleum	Total (Daily Average)
Arab OPEC														
Algeria	95,185	770	201	0	[3] 0	0	0	1,732	15,427	0	0	18,190	113,363	311
Iraq	0	0	0	0	[3] 0	0	0	0	0	0	(s)	(s)	(s)	(s)
Libya	115,572	0	248	0	0	0	0	0	396	0	325	968	116,540	319
Qatar	2,865	0	0	0	0	0	0	0	0	0	0	0	2,865	7
Saudi Arabia	408,059	5,285	455	200	0	0	0	0	140	0	(s)	6,135	412,193	1,129
United Arab Emirates	27,950	0	420	0	0	0	0	0	0	0	1,272	1,700	29,650	81
Subtotal Arab OPEC	647,410	6,042	1,302	200	0	0	0	1,732	16,972	0	1,597	27,001	674,411	1,848
Other OPEC														
Ecuador	13,867	0	0	0	0	0	0	0	3,733	0	0	3,733	17,600	48
Gabon	12,633	0	0	0	0	0	0	0	0	0	0	0	12,633	35
Indonesia	116,126	953	1,502	0	2,000	133	0	902	11,251	0	0	17,520	133,646	366
Nigeria	222,861	0	172	0	(s)	120	0	0	3,139	0	0	3,437	226,418	620
Venezuela	53,580	1,360	4,838	0	380	1,520	544	5,975	78,745	325	934	94,620	148,210	406
Subtotal Other OPEC	419,296	2,313	6,512	0	2,450	1,773	544	6,877	96,867	325	934	119,308	538,605	1,476
Other														
Angola	16,526	0	0	0	0	0	0	0	1,404	0	0	1,404	17,930	49
Australia	0	536	373	0	0	0	0	0	825	0	178	1,714	1,714	5
Bahamas	0	62	4,071	0	0	2,241	0	8,482	12,469	0	1,136	27,081	27,081	74
Belize	0	0	0	0	0	0	0	0	0	0	(s)	(s)	(s)	(s)
Brazil	5,145	0	0	71	0	0	0	0	3,239	87	20	3,417	8,562	23
Brunei	0	123	0	11	806	0	0	70	646	0	0	1,455	1,455	4
Canada	86,804	72,473	342	2,173	2,980	0	1	8,169	14,196	1,382	3,580	103,301	190,205	447
Congo	1,278	0	0	0	0	0	0	0	0	0	0	0	1,278	3
Egypt	12,185	0	172	0	0	0	0	0	0	0	0	172	12,326	34
France	0	388	552	383	230	0	0	304	375	0	84	2,126	2,126	6
Ghana	375	0	148	0	0	0	0	0	756	0	0	905	1,270	4
Liberia	2	0	0	0	0	0	0	0	0	0	0	0	2	(s)
Malaysia	12,143	0	80	0	430	(s)	0	125	304	0	0	947	13,091	36
Mexico	171,363	8,780	308	(s)	2	0	0	405	11,478	13	344	10,348	190,711	522
Netherlands	1	(s)	115	498	5,834	560	0	2,847	1,132	98	53	10,998	10,997	30
Netherlands Antilles	0	0	1,826	498	1,080	3,200	0	2,333	61,187	0	(s)	71,074	71,074	197
Norway	41,542	(s)	1,065	74	0	0	0	472	110	0	0	1,747	43,290	119
Oman	9,702	0	0	0	0	0	0	0	0	0	0	0	9,702	24
People's Republic of China	0	0	975	1,498	4,498	0	0	0	0	0	0	6,631	6,631	18
Peru	10,813	0	0	129	22	0	0	17	1,347	0	0	1,516	12,329	34
Puerto Rico	0	0	3,298	0	8,368	244	0	5,110	822	56	3,842	22,647	22,647	62
Romania	0	0	187	0	2,340	0	0	0	0	0	0	2,526	2,526	7
Spain	0	0	0	0	0	0	0	229	236	0	(s)	465	471	1
Syria	2,142	0	0	0	0	0	0	0	0	0	0	0	2,142	6
Trinidad and Tobago	37,186	0	1,125	0	578	423	0	977	7,118	382	753	11,383	48,550	133
Tunisia	4,104	0	0	0	0	0	0	0	0	0	0	0	4,104	11
United Kingdom	134,786	220	(s)	183	178	2	0	995	491	21	87	2,001	136,857	375
Virgin Islands	0	0	15,291	945	10,569	2,140	1,878	25,072	52,910	214	820	110,345	110,345	327
Yugoslavia	0	0	243	0	0	0	0	0	0	0	0	243	243	1
Zaire	5,077	0	0	0	0	0	0	0	0	0	0	0	5,077	16
Other Western Hemisphere	405	0	877	244	0	0	0	381	5,566	321	46	7,466	7,872	22
Other Eastern Hemisphere	13,462	130	1,732	2,079	6,936	170	0	3,833	2,774	243	808	18,803	30,063	82
Subtotal Other	537,997	80,858	32,989	8,457	53,722	12,090	1,879	84,763	178,232	2,808	10,910	437,405	975,402	2,672
Total Imports	1,604,703	89,213	40,783	8,724	57,182	13,859	2,423	93,371	292,070	3,131	13,440	563,716	2,168,419	5,996

Table 4. Imports of Crude Oil and Petroleum Products 1982 (Thousand Barrels)

Source	Crude Oil [1]	LPG and Ethane	Unfinished Oils	Gasoline Blending Components	Finished Motor Gasoline	Jet Fuel	Kerosene	Distillate Fuel Oil	Residual Fuel Oil	Special Naphthas	Other Products [2]	Total Products	Total Petroleum	Total Gross Amounts [3]
Arab OPEC														
Algeria	32,714	570	736	488	0	186	0	221	28,158	486	362	29,223	61,937	170
Iraq	874	0	0	0	0	0	0	0	0	0	0	0	874	3
Kuwait	604	0	162	267	0	0	0	0	533	0	(*)	862	1,466	3
Libya	8,452	0	271	0	0	0	0	0	637	0	0	908	9,360	26
Qatar	2,660	0	0	0	0	0	0	0	0	0	0	0	2,660	7
Saudi Arabia	180,536	1,223	872	586	0	0	0	0	845	173	4,418	7,927	201,463	552
United Arab Emirates	29,589	0	488	2,214	85	0	0	0	0	66	1,251	4,154	33,663	92
Subtotal Arab OPEC	255,429	1,793	2,561	3,567	85	186	0	221	27,871	726	6,031	43,184	311,862	854
Other OPEC														
Ecuador	11,768	0	0	0	0	0	0	0	3,518	0	0	3,518	15,305	42
Gabon	14,429	0	0	0	0	0	0	0	117	0	0	117	14,547	40
Indonesia	82,315	1,024	0	0	2,381	0	0	1,084	3,243	1	0	8,323	90,637	248
Iran	12,654	0	0	0	0	0	0	0	0	0	0	0	12,654	35
Nigeria	186,329	0	0	0	0	0	0	1	1,285	1	(*)	1,286	187,616	514
Venezuela	56,424	574	7,941	1,820	1,257	1,084	1,772	1,852	74,503	1,291	1,787	93,901	150,326	412
Subtotal Other OPEC	364,150	2,198	7,941	1,820	3,617	1,084	1,772	2,947	82,666	1,293	1,798	107,125	471,275	1,291
Other														
Angola	15,248	0	0	0	0	0	0	0	927	0	0	927	16,174	44
Australia	1	534	278	0	0	0	0	0	803	0	(*)	1,804	1,805	5
Bahamas	0	0	8,704	0	0	1,163	0	1,155	12,555	0	0	23,667	23,667	65
Brazil	6,872	0	0	22	3,472	230	0	0	6,485	15	37	10,288	17,161	47
Brunei	1,124	0	0	0	287	0	0	136	316	0	0	720	1,853	5
Canada	78,041	78,414	2,831	4,257	3,201	90	25	3,548	8,885	1,805	3,706	97,973	176,014	482
Congo	458	0	0	0	0	0	0	0	174	0	0	174	630	2
Egypt	14,663	0	21	827	0	0	0	0	18	0	(*)	868	15,348	42
France	0	(*)	0	422	0	0	0	(*)	172	29	107	730	730	2
Ghana	0	0	0	0	0	0	0	0	876	0	0	876	876	3
Liberia	(*)	0	0	0	0	0	0	0	0	0	0	0	(*)	(*)
Malaysia	6,574	0	0	0	70	0	0	36	620	0	0	733	7,307	20
Mexico	235,298	8,325	1	0	1	0	5	427	7,830	11	75	14,675	249,972	685
Netherlands	5	132	178	340	9,002	180	0	1,352	1,318	200	4	12,727	12,730	35
Netherlands Antilles	0	0	8,319	0	2,080	1,304	0	316	51,015	0	484	63,808	63,808	175
Norway	37,289	0	0	0	0	0	0	(*)	0	0	0	(*)	37,289	102
Oman	8,183	0	0	0	0	0	0	0	0	0	0	0	8,183	22
People's Republic of China	2,824	0	885	330	10,030	0	0	68	185	484	(*)	11,821	14,745	40
Peru	7,725	73	0	0	0	0	0	35	5,725	0	0	5,842	13,567	37
Puerto Rico	0	0	4,434	0	8,465	331	0	2,660	231	0	4,000	18,150	18,150	50
Romania	0	0	134	168	1,629	0	0	0	0	275	0	2,105	2,105	6
Spain	2	0	0	0	0	0	0	(*)	1,148	15	3	1,166	1,167	3
Syria	0	0	0	0	185	0	0	0	0	0	0	185	185	1
Trinidad and Tobago	33,541	0	636	0	231	147	0	365	5,748	14	356	7,415	40,956	112
Tunisia	3,481	0	0	0	0	0	0	0	0	0	0	0	3,481	10
United Kingdom	181,061	481	1,029	116	1,241	0	0	0	1,422	44	112	5,264	186,325	458
Virgin Islands	0	0	10,031	10	21,705	5,037	2,876	10,853	44,624	427	2,740	115,308	115,308	316
Yugoslavia	4	0	0	0	0	0	0	0	0	423	(*)	423	427	1
Zaire	6,814	0	0	0	0	0	0	0	0	0	0	0	6,814	19
Other Western Hemisphere	1,258	78	757	200	530	0	0	318	8,667	310	188	12,134	13,390	37
Other Eastern Hemisphere	10,778	582	5,529	3,557	7,824	552	0	1,580	11,504	1,011	848	32,875	52,653	144
Subtotal Other	640,376	78,318	53,155	10,173	68,008	8,150	2,906	30,871	172,484	5,083	12,668	442,825	1,083,201	2,968
Total Imports	1,273,214	82,310	63,657	15,510	71,810	10,441	4,678	34,040	283,101	7,102	20,497	583,144	1,856,358	5,113

Table 5. Imports of Crude Oil and Petroleum Products 1983 (Thousand Barrels)

Source	Crude Oil 1	LPG	Unfinished Oils	Gasoline Blending Components	Finished Motor Gasoline	Jet Fuel	Kerosene	Distillate Fuel Oil	Residual Fuel Oil	Special Naphthas	Other Products 2	Total Products	Total Petroleum	Total (Daily Average)
Arab OPEC														
Algeria	64,274	0	818	0	0	0	0	2,955	17,765	258	1,672	23,268	87,542	240
Iraq	3,758	0	0	0	0	0	0	0	0	0	(s)	(s)	3,758	10
Kuwait	2,841	0	819	0	0	0	0	0	1,532	0	0	2,351	4,992	14
Qatar	0	0	0	0	0	0	0	0	0	0	2	2	2	(s)
Saudi Arabia	117,325	1,301	1,877	319	0	0	0	0	2,253	0	15	5,766	123,091	337
United Arab Emirates	8,841	0	707	700	0	0	0	0	731	229	2,106	4,474	11,314	30
Subtotal Arab OPEC	184,638	1,301	4,070	1,019	0	0	0	2,955	22,281	487	3,796	35,861	230,500	632
Other OPEC														
Ecuador	20,584	0	17	0	0	0	0	0	1,830	0	0	1,846	22,441	61
Gabon	21,415	0	0	0	0	0	0	0	0	0	0	0	21,415	59
Indonesia	115,158	0	42	0	2,000	240	0	235	4,928	485	403	8,332	123,488	338
Iran	17,575	0	0	0	0	0	0	0	0	0	0	0	17,575	48
Nigeria	109,807	0	0	0	0	0	0	103	304	0	2	408	110,215	302
Venezuela	59,854	68	4,097	2,757	12,298	1,640	1,637	12,681	56,220	1,081	1,725	94,182	154,036	422
Subtotal Other OPEC	344,481	68	4,155	2,757	14,298	1,880	1,637	13,019	63,281	1,565	2,130	104,769	449,170	1,231
Other														
Angola	25,783	0	0	0	0	0	0	0	2,729	0	0	2,729	28,493	78
Australia	0	555	0	0	22	27	0	0	770	0	72	1,454	1,454	4
Bahamas	0	0	21,283	433	0	2,184	865	3,250	12,389	1,140	4,237	45,581	45,581	125
Bolivia	1,381	0	0	0	0	0	0	0	0	0	0	0	1,381	4
Brazil	591	0	14	24	8,449	0	0	0	7,424	187	106	14,304	14,894	41
Brunei	587	0	0	0	0	0	0	0	0	0	0	0	587	2
Canada	180,142	80,434	3,253	1,842	7,611	174	83	10,881	9,875	1,811	3,981	89,567	199,710	547
Congo	6,616	0	0	0	0	0	0	0	1,874	0	4	1,879	8,495	23
Egypt	8,858	0	105	0	0	0	0	448	0	18	48	845	845	2
France	0	114	18	0	0	0	0	0	200	0	0	200	200	1
Liberia	0	0	0	0	0	0	0	0	256	0	0	534	1,463	4
Malaysia	930	0	0	0	260	18	0	0	256	0	184	21,959	301,662	826
Mexico	279,703	6,551	1,861	2,217	1,170	582	29	2,237	7,049	17	1,328	22,838	23,876	65
Netherlands	1,036	98	850	551	12,731	75	0	5,134	1,657	412	1,908	60,916	60,916	169
Netherlands Antilles	0	207	17,267	0	1,815	325	0	2,414	44,495	484	0	110	23,948	66
Norway	23,838	0	0	0	0	0	0	0	110	0	0	0	12,291	34
Oman	12,291	0	0	0	0	0	0	0	0	0	0	72	10,205	28
People's Republic of China	2,100	0	740	8,688	2,664	0	0	0	81	0	72	0	2,254	11,316	31
Peru	3,062	0	1,037	0	34	0	0	0	7,186	17	0	1,878	14,498	40
Puerto Rico	0	0	3,118	80	4,982	0	734	1,831	0	1,073	1,878	14,498	14,498	40
Romania	0	0	210	212	7,660	0	0	1,201	386	569	516	10,755	10,755	29
Spain	180	0	236	0	0	0	0	0	243	154	(s)	834	794	2
Syria	0	0	0	0	154	0	0	0	0	0	0	154	154	(s)
Trinidad and Tobago	30,207	0	11	87	0	0	0	866	3,789	55	95	4,912	35,119	96
Turkey	2,564	0	0	0	0	0	0	0	0	0	0	0	2,564	7
United Kingdom	133,142	110	432	0	1,555	0	0	0	4,058	122	173	6,450	139,592	382
Virgin Islands	0	0	18,304	0	20,113	3,846	673	16,684	42,899	0	449	102,969	102,969	282
Yugoslavia	0	0	179	0	0	0	0	0	0	0	24	203	203	1
Zaire	8,158	0	0	0	0	0	0	0	0	0	0	0	8,158	22
Other Western Hemisphere	1,773	0	(s)	215	260	0	12	83	11,131	248	268	12,214	13,937	38
Other Eastern Hemisphere	33,253	(s)	8,384	895	8,405	1,832	0	2,752	11,070	274	2,364	35,777	69,030	189
Subtotal Other	870,185	88,050	77,404	13,215	75,886	8,863	2,206	47,588	169,650	7,183	17,831	487,880	1,184,074	3,189
Total Imports	1,215,225	89,419	85,580	16,992	90,184	10,744	3,843	63,562	255,213	9,246	23,757	626,518	1,843,744	5,051

Table 6. Imports of Crude Oil and Petroleum Products 1984

(Thousand Barrels)

Source	Crude Oil [1]	LPG	Unfinished Oils	Gasoline Blending Components	Finished Motor Gasoline	Jet Fuel	Kerosene	Distillate Fuel Oil	Residual Fuel Oil	Special Naphthas	Other Products [2]	Total Products	Total Petroleum	Total (Daily Average)
Arab OPEC														
Algeria	76,541	671	599	399	434	327	0	7,165	20,770	3,625	12,002	45,991	118,533	318
Iraq	4,129	0	0	0	0	0	0	0	0	0	(s)	(s)	4,129	11
Kuwait	8,760	0	0	0	0	0	0	336	4,018	0	0	4,356	13,136	36
Qatar	1,497	202	0	0	0	0	0	0	0	0	0	202	1,699	5
Saudi Arabia	112,106	2,139	1,119	260	1,290	0	0	0	1,013	0	(s)	5,811	117,918	322
United Arab Emirates	32,966	0	1,049	2,052	357	221	0	1,067	2,291	0	2,199	8,885	42,831	117
Subtotal Arab OPEC	230,022	3,013	2,768	3,341	2,071	548	0	8,568	28,093	3,625	14,171	66,225	296,247	809
Other OPEC														
Ecuador	17,066	0	0	0	0	0	0	0	3,219	0	0	3,219	20,285	55
Gabon	20,183	0	0	0	0	0	0	0	246	69	0	306	20,489	56
Indonesia	111,033	1,356	2,835	0	1,354	200	0	366	5,846	1,225	882	14,176	125,199	342
Iran	3,706	0	0	0	0	0	0	0	0	0	0	0	3,706	10
Nigeria	75,375	0	1,582	0	0	0	0	53	1,194	0	248	3,077	78,453	214
Venezuela	90,529	0	9,322	944	19,713	4,670	302	24,849	42,410	66	3,256	105,544	196,073	536
Subtotal Other OPEC	317,683	1,356	13,739	944	21,067	4,871	302	25,270	53,025	1,363	4,387	126,323	444,206	1,214
Other														
Angola	31,158	0	0	0	0	0	0	0	1,853	0	0	1,853	33,011	90
Australia	8,177	904	243	0	984	364	0	353	1,822	0	206	4,570	13,758	38
7 Bahamas	0	0	10,318	506	0	1,450	68	6,538	6,510	742	3,265	31,539	31,539	86
Bolivia	260	0	0	0	0	0	0	0	0	0	0	0	760	1
Brazil	2	0	230	570	8,989	214	0	0	10,996	324	60	21,953	21,956	60
Brunei	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Canada	125,661	62,677	3,743	75	8,443	229	148	11,976	9,442	4,873	5,023	104,727	230,388	629
Congo	12,226	0	0	0	0	0	0	0	2,044	0	(s)	2,045	14,270	39
Egypt	3,485	0	0	0	0	0	0	0	0	0	0	0	3,485	10
France	0	(s)	(s)	0	1,186	0	(s)	856	299	1	17	2,159	2,159	6
Ghana	1	0	0	0	0	0	0	0	250	0	0	250	251	1
Liberia	0	0	0	0	0	0	0	0	1,882	0	0	1,882	1,882	5
Malaysia	0	0	125	0	158	7	0	20	99	0	0	429	429	1
Mexico	238,937	2,227	14,301	4,924	2,734	408	0	1,869	3,763	595	1,308	31,648	270,584	739
Netherlands	1,048	1	274	634	9,052	186	0	9,800	1,418	340	909	22,414	23,460	64
Netherlands Antilles	0	20	12,247	426	8,387	1,230	0	2,871	43,479	264	925	67,887	67,887	185
Norway	40,927	(s)	0	0	0	451	0	366	0	0	0	817	41,744	114
Oman	3,822	0	0	0	0	0	0	0	1,520	0	0	1,520	5,342	15
People's Republic of China	9,615	0	664	8,496	1,290	0	0	0	0	347	33	10,834	16,449	45
Peru	224	0	755	0	0	223	0	0	5,272	0	450	6,699	6,923	19
Puerto Rico	0	0	1,517	0	4,833	361	70	1,717	74	4,340	2,298	15,210	15,210	42
Romania	0	0	252	8,732	3,390	0	0	126	380	423	4,399	15,712	15,712	43
Spain	0	0	216	0	1,420	1,016	0	123	847	14	300	3,937	3,937	11
Trinidad and Tobago	31,839	0	13	111	0	0	0	504	1,929	7	16	2,581	34,519	94
Tunisia	4	0	0	0	0	0	0	0	0	0	0	0	4	(s)
United Kingdom	136,126	1,179	737	370	4,086	325	0	163	855	156	978	8,649	144,777	396
Virgin Islands	0	0	11,457	43	17,867	8,905	3,780	18,119	48,622	462	709	107,514	107,514	294
Yugoslavia	0	0	0	0	188	0	0	0	0	0	0	188	188	1
Zaire	11,470	0	0	0	0	0	0	0	0	0	0	0	11,470	31
Other Western Hemisphere	1,021	127	1,889	39	231	0	0	381	7,233	446	263	10,409	11,430	31
Other Eastern Hemisphere	44,286	361	8,910	1,754	13,781	2,126	200	9,511	13,480	2,105	2,261	54,389	98,655	270
Subtotal Other	667,389	67,042	67,858	24,680	83,470	15,303	4,292	64,873	165,490	15,499	23,473	531,779	1,229,168	3,358
Total Imports	1,245,294	71,411	84,183	28,965	106,607	20,721	4,594	98,742	246,617	20,476	42,041	724,329	1,969,620	5,381

QUESTIONS FROM SENATOR BINGAMAN

Question 16: Secretary Boggs: You have provided a summary of reasons why the Department finds the energy situation in the United States improved in 1984 over the past few years. While it is true that we are less dependent today on foreign sources of energy than at times in our recent past, we obviously cannot become complacent.and forget the hard lessons learned from the energy crisis of the seventies. You stated in your testimony that "a major crisis in international energy markets, although unlikely in the foreseeable future, would be felt here as well as abroad." It is the future I am concerned about today.

On what basis do you make the statement that there is no major crisis in the immediate future?

Answer: A major crisis in international energy markets is less likely today than at any time in recent history, because the energy situation facing America and the world today has improved substantially since the late 1970's. Today, it appears that the economic impact of any plausible oil disruption would be relatively less.

Dependence on oil from the Persian Gulf has declined significantly. Worldwide excess oil production capacity is about 9 million barrels per day; in 1979 there was virtually none. Oil demand is growing at only a very moderate pace, below the rate of GNP growth in most countries. Private and government-held oil reserves are at significant levels worldwide. The Administration has more than quadrupled the amount of crude oil in the Strategic Petroleum Reserve to over 465 million barrels. This represents over 100 days of projected 1985 net imports of crude oil, which when combined with commercial stocks, provides a level of security far

greater than required by our obligations to our partners in the International Energy Agency (IEA). We and our IEA partners also have agreed to consult and, if appropriate, coordinate a drawdown of strategic stocks in the event of a major oil supply disruption, thus further reducing the adverse effects of any future supply disruption.

Starting in 1981, the Administration removed price and allocation controls on oil and petroleum products, making the market responsive to economic signals. In short, we are less dependent upon petroleum in general, and imported oil in particular. This important fact provides good reason to be confident about American and world energy security. It is not complacency to recognize the truth.

QUESTIONS FROM SENATOR JEFF BINGAMAN

Question 17: In its Annual Energy Outlook 1984, the Energy Information Administration projects that under almost any scenario, petroleum imports will double by 1985. This means that we will be importing approximately the same percentage of oil as we did during the energy crisis. Given this projection and the current political instability in the Middle East, please provide answers to the following questions.

Answer 17a: What action is the Department taking in response to the EIA projections? Does the agency support these projections?

Answer 17a: The Department has analyzed a variety of near term scenarios forecasting U.S. oil import demand and has concluded that under almost any scenario, additional precautions over and above those already recommended are not warranted to assure the U.S. of an adequate oil supply.

EIA is a policy independent organization which is free to make energy projections and define possible future energy scenarios they consider to be appropriate. The Department in developing energy policy considers energy projections from numerous independent sources, including EIA, and has opted to take no specific action in response to the EIA projections, per se. In response to the expectation that oil imports may increase in the future, the Department has already undertaken numerous actions, some of which are reviewed in my answer for questions 2 and 5. These actions are all designed to help ensure an adequate supply of energy at reasonable costs. The actions are described in some detail in the National Energy Policy Plan

transmitted to Congress in October 1983, and include elimination of oil price and allocation controls, maintenance of a large Strategic Petroleum Reserve in a constant state of readiness, continued efforts to increase competition in the domestic natural gas market, and scientific research programs that will allow us to rely increasingly in the future on non-fossil fuels.

QUESTIONS FROM SENATOR JEFF BINGAMAN

Question 17b: What are the sources of information that the Department use to calculate energy projections?

Answer 17b: DOE energy projections rely primarily upon historical energy production, consumption and cost data coupled with demographic and economic information. This information is used to develop mathematical models capable of reproducing the historical behavior of energy markets. Demographic and economic projections are then used with the models to project future energy supply, demand, and prices. Expected GNP growth is the major economic input to most energy models. The 1985 NEPP projections use the Council of Economic Advisors GNP growth forecast through 1988, then transition to the 1990 through 1995 DRI longterm forecast.

As with all modeling and forecasting activities, coefficients and assumptions are highly variable, reflecting a high degree of uncertainty.

QUESTIONS FROM SENATOR JEFF BINGAMAN

Question 17c: What steps is the Department taking to provide an effective strategy for dealing with a major rise in petroleum imports?

Answer: Our general strategies for dealing with changing energy markets are:

- To minimize federal control and involvement in energy markets while maintaining public health and safety and environmental quality.

- To promote a balanced and mixed energy resource system.

One of the specific programs designed to reduce our Nation's vulnerability to oil supply disruptions is the Strategic Petroleum Reserve. At the end of Fiscal 1985 it will contain 489 million barrels of crude oil, which represents approximately 108 days of projected 1985 U.S. net oil imports.

QUESTIONS FROM SENATOR JEFF BINGAMAN

Question 17d: Has the Department investigated the growing increase in imports of refined petroleum products?

Answer: As noted in my answer to question 15, oil product imports since 1973 have declined overall, not increased, although some increase occurred in 1984 when compared to 1983's level, as a result of the strong economic rebound in the U.S.

In addition, the Department is currently working on an analysis of current and future conditions in the domestic refining industry. The study will also estimate the economic costs and benefits of a protective measure, such as an increased tariff on imported petroleum products. The study is scheduled to be completed in June. We will submit a copy of the study as soon as it is completed.

The Department of Energy in June 1984 requested that the National Petroleum Council undertake a study of the factors affecting the domestic refining industry in the 1985-1990 timeframe. Among the factors to be addressed is the possible impact of oil product imports.

Additionally, the Office of the U.S. Trade Representative is looking into the trade aspects of oil product imports and the Department is participating in this study.

The East West Center has recently completed a study for the Department of Energy entitled, "The Changing Structure of the World Refining Industry: Implications for the United States and Other Major Consuming Regions." We will be happy to make copies of this study available to the Committee.

QUESTIONS FROM SENATOR JEFF BINGAMAN

Question 17e: Does the Department plan any special initiative to improve long range energy policy planning?

Answer 17e: The Department plans to continue improving its long range energy forecasting and policy analysis capabilities, world-wide energy information and data study projects and efforts to better characterize and understand the potential contributions of new energy technologies now in the R&D phase.

JAMES A. McCLURE, IDAHO, CHAIRMAN
MARK O. HATFIELD, OREGON
LOWELL P. WEICKER, JR., CONNECTICUT
PETE V. DOMENICI, NEW MEXICO
MALCOLM WALLOP, WYOMING
JOHN W. WARNER, VIRGINIA
FRANK H. MURKOWSKI, ALASKA
DON NICKLES, OKLAHOMA
CHIC HECHT, NEVADA
SAMUEL I. EVANS, WASHINGTON
J. BENNETT JOHNSTON, LOUISIANA
DALE BUMPERS, ARKANSAS
WENDELL H. FORD, KENTUCKY
HOWARD M. METZENBAUM, OHIO
JOHN MELCHER, MONTANA
BILL BRADLEY, NEW JERSEY
JEFF BINGAMAN, NEW MEXICO
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
FRANK M. CUSHING, STAFF DIRECTOR
GARY G. ELLSWORTH, CHIEF COUNSEL
D. MICHAEL HARVEY, CHIEF COUNSEL FOR THE MINORITY

United States Senate

COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, DC 20510

May 14, 1985

The Honorable Danny J. Boggs
Deputy Secretary
Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Mr. Boggs:

On behalf of the Committee on Energy and Natural Resources, I am acknowledging receipt of your responses to questions in connection with your testimony on S. 979, the Energy Policy and Conservation Amendments Act of 1985.

However, at this time the Committee requests answers to the enclosed additional questions. These questions were originally submitted to the Department of State, which is of the opinion that they are more appropriately answered by your Department. Please have these responses to us by noon, Tuesday, May 21, 1985, and supply the Committee with 40 copies of same. Your responses, and any inquiries regarding this request, should be directed to the attention of Richard Grundy, Senior Professional Staff Member, at 224-2564.

Sincerely,

Jim McClure

James A. McClure
Chairman

JAM:rgbb

Enclosure

Questions Resubmitted to Energy Department at request of State Department

Questions from the Minority

for E. Allan Wendt
Deputy Assistant Secretary
for International Energy and Resources Policy
Department of State

Hearing on May 1, 1985
Senate Committee on Energy and Natural Resources

1. On page 4 of your prepared statement you say that the current amount of oil in the SPR provides a degree of coverage in terms of net oil imports which will be equivalent to the protection envisioned when the 750 million barrel target was established.

Have you read the amendment to the SPR plan which Congress adopted in approving the SPR plan? It called for a one billion barrel SPR, did it not, and called for plans for a 750 million barrel SPR with additional plans for 250 million more barrels to come later?

2. DPA Authority

Sec. 104(b) of EPCA provides that the authority of the President specified in the Defense Production Act (DPA) to allocate energy supplies and equipment and require priority in the performance of contracts expires on December 31, 1984.

There are some who believe that we need to change this date of December 31, 1984, to whatever date we pick for the expiration of EPCA as a whole or we will run the risk of "revitalizing" this December 31, 1984, expiration date because Congress has already extended this DPA authority in other legislation last year. Can you give us some guidance in this legal dispute?

Department of Energy
Washington, DC 20585

May 24, 1985

Honorable James A. McClure
Chairman, Committee on Energy
and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On May 1, 1985, Deputy Secretary Danny J. Boggs appeared before the Committee on Energy and Natural Resources to discuss S. 979, the Energy Policy and Conservation Amendments Act of 1985.

Following that hearing, you submitted written questions for our response which we answered on May 13. With your letter dated May 14, you submitted additional questions on behalf of the Minority members for our response and the answers to those questions are enclosed. Copies have been sent directly to the Minority Counsel and Committee staff.

If you have any questions, please call Ingrid Nelson or Cathy Hamilton of my staff on 252-4277. They will be happy to assist you.

Sincerely,

Robert G. Rabben
Assistant General Counsel
for Legislation

Enclosure

5/24/85

QUESTIONS FROM THE MINORITY

Question 1: On page 4 of your prepared statement you say that the current amount of oil in the SPR provides a degree of coverage in terms of net oil imports which will be equivalent to the protection envisioned when the 750 million barrel target was established.

Have you read the amendment to the SPR plan which Congress adopted in approving the SPR plan? It called for a one billion barrel SPR, did it not, with additional plans for 250 million more barrels to come later?

Answer: The Energy Policy and Conservation Act contemplated an SPR of about 500 million barrels of petroleum, while recognizing that it might eventually contain "up to" one billion barrels. The original SPR Plan, transmitted to the Congress on February 16, 1977, provided for a 500 million barrel SPR. Amendment No. 2 to the SPR Plan, which was transmitted to the Congress on May 18, 1978, and became effective June 13, 1978, increased the SPR's potential size to one billion barrels, but deferred submission of implementation plans for expansion beyond 750 million barrels. In 1982, in a report requested by the Congress, the Administration recommended continued implementation of a 750 million barrel program. The Executive Branch has never sought, nor has the Congress provided, appropriations for site acquisition, development or fill of the SPR beyond 750 million barrels.

QUESTIONS FROM THE MINORITY

Question 2: DPA Authority

Section 104(b) of EPCA provides that the authority of the President specified in the Defense Production Act (DPA) to allocate energy supplies and equipment and require priority in the performance of contracts expires on December 31, 1984.

There are some who believe that we need to change this date of December 31, 1984, to whatever date we pick for the expiration of EPCA as a whole or we will run the risk of "revitalizing" this December 31, 1984, expiration date because Congress has already extended this DPA authority in other legislation last year. Can you give us some guidance in this legal dispute?

Answer: The Department's General Counsel has advised as follows:

Section 104 of the EPCA, Pub. L. 94-163 (Dec. 22, 1975), amended section 101 of the Defense Production Act of 1950 (DPA), 50 U.S.C. App. §2071, by adding a new subsection (c) under which the President may require the allocation of, or priority performance under, contracts or orders relating to supplies of materials and equipment in order to maximize domestic energy supplies. EPCA section 104(b) provided that authority under the new section 101(c) would expire December 31, 1984. This was a date well beyond the September 30, 1977, expiration date for title I of the DPA established in Pub. L. 94-152 (Dec. 16, 1975). Furthermore, paragraph (2) of EPCA section 104(b) specified that DPA section 101(c) would survive

any earlier expiration of the DPA, unless Congress by law expressly provided otherwise.

In the Defense Production Act Amendments of 1984, Pub. L. 98-265 (April 17, 1984), the Congress extended the expiration date of title I of the DPA (except for one section of that title, other than section 101) from March 30, 1984, to September 30, 1986. We believe that the Defense Production Act Amendments of 1984 extended the expiration date of section 101(c), as suggested in Senator Ford's question, since section 101(c) is a part of title I of the DPA.

In our opinion, such an extension of section 101(c) was not precluded by EPCA section 104(b)(2), which states:

> The expiration of the Defense Production Act of 1950 or any amendment of such Act after the date of enactment of this Act shall not affect the authority of the President under section 101(c) of such Act, as amended by subsection (a) of this section and in effect on the date of enactment of this Act, unless Congress by law expressly provides to the contrary.

The apparent purpose of section 104(b)(2) was to avoid an inadvertent curtailment of authority under DPA section 101(c), rather than to hinder

the further extension of section 101(c). In any event, the 1984 DPA legislation expressly applied to all of title I, except for one specified section, other than section 101(c).

Senator Ford's question concerns whether the 1984 extension of DPA section 101(c) until September 30, 1986 would somehow be invalidated by subsequent Congressional action extending EPCA, which provides in section 104 that authority under DPA section 101(c) "shall expire at midnight December 31, 1984...." It is our opinion that a simple extension of EPCA would not have that result absent clear Congressional intent to that effect.

A leading treatise on statutory construction is instructive on this issue:

> The reenactment of a statute is a continuation of the law as it existed prior to the reenactment insofar as the original provisions are repeated without change in the reenactment. Consequently, an intermediate statute which has been superimposed upon the original enactment as a modification of its provisions is likewise not repealed by the reenactment of the original statute, but is construed as being continued in force to modify the reenacted statute in the same manner that it did the original enactment.

> However, this immunity from repeal is extended only to those provisions of intermediate acts which are consistent with the reenactment, and therefore, any provisions in the intermediate act which are inconsistent with the reenactment are repealed. (1A Sands, Sutherland on Statutory Construction §23.29 (4th ed.))

EPCA section 104(b)(1) has been modified effectively by the 1984 DPA legislation extending the expiration date of DPA title I until September 30, 1986. Thus under standard principles of statutory construction, a simple extension of EPCA would reenact EPCA section 104 as thus modified by the 1984 DPA legislation unless the pertinent provision of the 1984 DPA legislation is viewed as somehow inconsistent with the EPCA reenactment, which it is not.

We do not believe that the 1984 Congressional action extending title I of the DPA is inconsistent with an extension of EPCA. EPCA section 104(b)(1) refers to a date, December 31, 1984, which has now expired. EPCA section 104(b)(1) lacked any force on that date, because of the 1984 DPA legislation which had already superceded it by providing for a new expiration date of September 30, 1986, for DPA title I. It would be illogical to consider the December 31, 1984,

date as having been made effective retroactively by a simple extension of EPCA. It would seem perverse, without any evidence of such a Congressional intent, to interpret Congressional action to extend EPCA as nullifying retrospectively the earlier extension of DPA section 101(c), thereby invalidating the authority conveyed by EPCA section 104. There is a well-recognized presumption against the repeal of prior law by implication. Id. at §23.10. If the Congress now wished to revoke DPA section 101(c) in the course of extending EPCA, it obviously could accomplish this goal far more simply and directly.

We conclude that the original EPCA section 104(b)(1) expiration date of December 31, 1984, would not be revitalized by a simple extension of EPCA at this time, absent clear Congressional intent.